

## STAMPS AND TAXES DIVISION

PS 398/72

Miss McNicol

1. Before you went to Bonn we agreed that there were now compelling reasons for holding the first of the meetings envisaged in Mr Lord's letter of 23 December as soon as possible.

2. The main item on the agenda would be management fees. In view of the attitude taken by the Kenyans and the Jamaicans we need to have a clearer idea of just how much importance British businessmen attach to the principle that management fees should be treated under a double taxation agreement in the same way as other business receipts, and what effects they think a departure from this principle would have. Unless we conceded at least the principle that management fees may be taxed in the source country I think there is no chance whatsoever of reaching an agreement with Kenya: at present the Kenyans are insisting on a withholding tax of 20% on the gross fees but if we concede the principle there is a slim chance that we might be able to persuade them to tax on a net income basis or at least to reduce the rate of withholding tax below 20%. Management fees are also one of the two stumbling blocks in the way of an agreement with Jamaica (although the Jamaicans have already indicated that they would be prepared to tax them on a net income basis and have expressed their willingness to explore the possibility of finding a solution through an extended definition of "permanent establishment"). It would be useful to know what the main advantages of an agreement are in the eyes of the British business community and whether in the last resort they would prefer an agreement which provided for the taxation of management fees in the source country to no agreement at all.

3. We could also mention as a subsidiary matter the 20% <sup>total</sup> rate of withholding tax the Kenyans want imposed on ~~negotiation~~. Again it would be useful to have businessmen's views and any information the CBI etc could provide about profit margins.

4. The other major matter we should raise is the Jamaicans' wish either to delete the non-discrimination article altogether or to replace it by one under which UK residents would not be subject to greater discrimination in taxation than the ~~residents~~ residents of any other countries (excluding Jamaica and other members of the Caribbean Free Trade Association). You will remember that we have suggested that the non-discrimination article should be retained with certain specific discriminatory practices excluded (the only discriminatory measure they have at present is a tax on premiums which effectively discriminates against foreign owned life assurance companies).

1.

Yes  
Mr Wood of the C.I.O.  
Shipping

No. 5  
C.R.

No. 5  
C.R.



## STAMPS AND TAXES DIVISION

5. I have undertaken to write to the Kenyans by the end of this month about the points on which agreement was not reached in the last round of talks. We do not have to have made up our minds about management fees by then, but the Kenyans will want to hear something definite fairly soon afterwards (they already suspect us of deliberately dragging our feet): they have their eye on the need to give formal notice of termination of the existing agreement before 30 June. As you know we are also committed to further talks with the Jamaicans sometime after the beginning of April.
6. We also want to discuss the shipping article with the Chamber of Shipping and any other interested parties, but this is not quite so urgent as the other items and I think this could perhaps be left to a later meeting.
7. A list of the people we might get in touch with to invite nominations for the discussion group~~s~~ is attached.

54

D Hopkins  
11 February 1972



Our Ref: PS 398/72

E L Gomeche Esq  
Confederation of British Industries  
21 Tothill Street  
LONDON SW1

29 February 1972

Dear Mr Gomeche

We propose to extend the existing arrangements for written consultation on double tax negotiations by confidential discussions on double taxation questions. At the first meeting I propose to give a progress report on current negotiations. We would then like to discuss certain problems including withholding taxes on management fees (sometimes very broadly defined), the level of withholding taxes on royalties and the non-discrimination article.

In view of the overlap of interest and of membership between yourselves and the British National Committee of the International Chamber of Commerce, I think that it would be useful to see your representatives and those of the British National Committee together and I understand that Mr Davies would be content. Mr Stewart of this office will get in touch in a few days to arrange a convenient date.

I am writing separately to the Chamber of Shipping and the British Insurance Association.

Yours sincerely

(MISS A H McN.



15 MARCH 1972

CBI/ICC

Messrs Davies	(Rio Tinto Zinc)
Northcliffe	(Unilever)
Esam	(Shell)
Evans	(Commercial Union)
Crowe	(ICI)
Dale	(British American Tobacco)
Gray	(Rio Tinto Zinc)
Gomeche	(CBI)

Inland Revenue

Miss A H McNicol  
L J H Beighton  
P Lewis  
C Stewart  
J M Johnson

1. Miss McNicol opened by saying that these were the first round of talks aimed at a closer consultation between certain representative bodies and the Inland Revenue on matters of double taxation. It was hoped that these talks would be useful to both sides and it was suggested that they generally cover a progress report on negotiations and the views of both sides on certain of the more difficult issues - which seem to arise mostly with developing countries. The talks would of course remain confidential.

2. Starting with Malaysia, Miss McNicol said that we could not reach agreement because of shipping. The Malaysians are holding out for a 50/50 basis of taxation of shipping profits whereas the United Kingdom stands by 'the country of residence of the owner' taxing principle.

3. Davies pointed out that there was no representative from the Chamber of Shipping present but he wanted to put forward certain views on shipping generally. He felt that the profits from shipping were small and consequently there was really nothing in this question for the United Kingdom. As far as tax is concerned there is little or nothing involved and therefore it was a pity to lose an agreement just because of shipping.

4. Northcliffe felt there were three points relevant to the problem. First, shipping was really a red-herring - if we negotiated 50/50 would there really be any grounds for complaint. Secondly he thought the Inland Revenue were against entering into a new form of shipping article because this would lead to other countries pressing for similar treatment. Miss McNicol accepted this. Northcliffe's third point was that other countries who have conceded a 50/50 treatment have not in fact obtained any concession from the other side for this which would seem to indicate that there was nothing in the shipping concession.

5. Davies said that Norway now gave 50/50 but Miss McNicol said that this was not with countries with whom they have large trade. Davies also referred to other countries such



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as Sweden and the Netherlands. Miss McNicol said that Sweden also had only given the concession where it was not important to her but we would bear in mind what had been said. We would be discussing the shipping problem in detail with the Chamber of Shipping. Davies said he was worried that the Chamber would merely tell us to stand fast and yet he wondered what really was at stake.

6. Miss McNicol next turned to Canada saying that representatives of the Canadian Ministry of Finance had visited the Inland Revenue, not for negotiations but to discuss their new taxation system. Davies thought there were many things which could be said about this but he felt the new capital gains tax was going to be a major problem. It was a threat to the representative who went to Canada and then returned. It would impede the flow of executives to Canada.

7. Northcliffe thought the Canadian imputation system generally would cause all kinds of problems. There was discrimination against the branch of a non-resident company compared with a resident of Canada. Miss McNicol agreed that Canada does now cause us some concern. Both Crowe and Evans thought that Davies' point on capital gains was valid and hoped it could be put right by treaty or otherwise. Miss McNicol said that Canada knows this is blocked by the existing agreement. Obviously, however, we could not go into depth on Canada this afternoon but no doubt those present would reflect on what had been said for future talks.

8. Miss McNicol referred back to the shipping discussion and pointed out that the United Kingdom view was the view of Ministers, not only the Revenue. Esam suggested there would be some benefit in confidentially sounding out other interested parties, not only the Chamber of Shipping, on this question of shipping. Davies did not think there was a 'tax-bite' involved otherwise freight charges would go up. Northcliffe thought that the shipping bodies want to stick by exemption because it is so 'clean'. Davies added that he felt our agreements would erode one way or the other. If we do not give way on shipping, other countries will consider terminating agreements with the United Kingdom anyway. He then quoted an example of a case he had heard about in Australia. Despite tax penalties on overseas companies, companies of countries with whom Australia did not have an agreement covering shipping profits, were still able to outbid United Kingdom shipping companies for shipping contracts - so just how much did this tax exemption count?

9. Miss McNicol said again that these views would be borne in mind but that the main channel of discussion was the Chamber of Shipping. Mr Esam asked whether the CBI could send a circular to members asking for their views on shipping. Miss McNicol said that that would make it difficult to maintain confidentiality but Mr Esam could consult BP in confidence if he wished and then put forward any representations.



10. Miss McNicol then turned to Brazil and said we had received one of their representatives for pre-negotiation talks. It was pointed out that Brazil had a tax system tailored to economic self-interest. Both Davies and Northcliffe ran down the system. They said it was a form of exchange control with high taxation unless you kept your money in Brazil. Miss McNicol said that a non-discrimination article would obviously be important here. Gray asked whether the United Kingdom would give credit for the compulsory investment schemes in Brazil. Miss McNicol replied that this would have to be considered. We are unlikely to be negotiating with Brazil until next year and in the meantime the economic position is steadily improving there. They now have a small balance of payments surplus and might soon be able to come more into line with the tax systems of developed countries.

11. Davies asked whether anything was happening with any other South American countries - Argentina? Miss McNicol said 'no'. It seemed unlikely that any progress would be made: South American countries were very source-minded.

12. Miss McNicol said that we had sent a draft agreement to Indonesia but they had not replied. The ball was really in their court. Iran had now surfaced and it seemed likely that we might be able to settle with them on standard agreement lines. This would exclude oil. Davies remarked that if we could have an agreement with Iran excluding oil, could we not have an agreement with Malaysia without shipping. Gray pointed out that Iran has a split rate system like Germany. What therefore was the position on withholding rates. Mr Stewart confirmed that there were no rates shown in the draft from Iran.

13. Miss McNicol said that an agreement with Zambia had been initialled. It was basically on OECD lines. We had also had talks with Jamaica but these had run into difficulties on a couple of points. First, Jamaica wanted to limit the scope of the non-discrimination article so that there might be special provisions for the benefit of Jamaican and CARIFTA companies. Evans said that he understood that the withholding rates in Jamaica's other agreements were higher than in the 'Blue Book'. Mr Lewis confirmed these rates as 22½ per cent with the United States and Canada but there was this two tier system in Jamaica and credit for the withheld tax was given against the second tier.

14. Miss McNicol said the second difficulty related to management fees. The Jamaicans would probably accept a net income basis for taxation. Davies asked the position of management fees where there was no permanent establishment. Miss McNicol said we had not heard from the Jamaicans for some months but they had wanted some form of withholding tax on management fees. Davies thought the Jamaicans were coming down heavily on this item because management companies had been set up in the Cayman Islands by Jamaicans. Miss McNicol



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thought there were three points which triggered off this attitude on management fees in Jamaica. First their idea of the source principle. Secondly, companies such as those in the Cayman Islands, and thirdly the incredulity of some countries that the rates of fees are genuine rates.

15. Negotiations were continuing with the British Virgin Islands and Miss McNicol pointed out that the revised agreement would contain a combined rate of 30 per cent on dividends. The old agreement was terminated and would run out on 6 April 1972 for the United Kingdom. For Montserrat there was also to be a revised agreement.

16. Miss McNicol referred to our talks in Nairobi in January and said that we had again come up against the management expenses question. Unless Kenya get an acceptable text soon, they will terminate the old agreement. Uganda was not pressing at this stage. Miss McNicol said that on management expenses, the United Kingdom takes the line that if even a modest charge is imposed on gross income, then all the profit may be taken away. There is a strong argument against imposing any tax at all on what is only a receipt. There is a similar problem with royalties.

17. Davies took up the point on royalties and referring to patents, said that countries only tolerated what was an accepted universal rate; but expenses were incurred, eg in defending patents. Miss McNicol said that it was in the national interest that a low or nil rate be applicable. Davies said that the difficulty with management fees was showing what was expended. They might as well pay the tax and get credit in the United Kingdom for British companies were involved in a running battle all the time to reduce the charge to nil. The definition of royalties in the Australian and New Zealand Agreements was very unsatisfactory because it enabled those countries to charge withholding tax on management fees.

18. Crowe said that he thought it was acceptable to give way to some extent on the management fees. Taxing on a net income basis would not cause any difficulty although this would not apply to royalties where there may be many other parties involved and the production of costs would be a very real problem. Therefore a low rate or exemption would be preferable.

19. The general feeling of the meeting was that it was necessary to hold out for a low rate on royalties but that management fees could be treated differently. Miss McNicol asked for views on fees paid to independent professional people. Northcliffe felt there was the same problem as with management fees although these other fees should be called advisory fees or technical assistance fees. Evans thought that it was often easier to get a deduction for fees if they were not being remitted abroad. Miss McNicol summed up the feeling by saying that an agreement on some basis preferably



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with as low a rate as possible was more acceptable than none at all and Northcliffe added a covering option that the taxpayer could elect to be taxed on a net income basis.

20. The question of the permanent establishment article was then raised. Miss McNicol asked how important this was. Evans thought it very important from the insurance agent point of view. Crowe said there were many examples of trading with another country without having a subsidiary or a branch. Northcliffe thought the agency definition in the permanent establishment article to be very important. Evans added that the permanent establishment concept did prevent countries reaching out to tax profits which did not arise there at all. If the concept was not maintained there would be much more of this. Miss McNicol said that the permanent establishment concept ought to work and she could not see future agreements without it. While areas of trading through permanent establishments may be small, when the concept matters, it matters a lot. It was not always easy to maintain the concept where a third company is inserted between the companies because neither country can then interpose.

21. Miss McNicol then mentioned that the Revenue had been looking at the possibility of entering into discussions about the extension of matching credit for pioneer reliefs with countries with whom we could make no comprehensive agreement. This was merely an idea and could take the form of a limited agreement covering just matching credit and non-discrimination articles. Gray asked why this could not be done unilaterally. Miss McNicol said that this would need new legislation whereas a limited agreement would be covered by existing legislation and we would also have the added safeguard of an agreement providing for non-discrimination as a quid pro quo.

22. Davies asked which countries the Revenue had in mind. Miss McNicol said Argentina, Brazil, Uruguay, possibly Chile, Paraguay, Ecuador, Ceylon, India, the West African countries, Malaysia, Indonesia and Turkey. Northcliffe said that some developing countries do not always place a great importance on matching credit. They prefer frustration of their relief schemes so that profits are not remitted abroad. Davies asked how serious was this proposal. Miss McNicol said it was thought there were advantages - certainly a non-discrimination article would be one to the United Kingdom - but it was at present just a thought floated internally.

23. With regard to future meetings it was agreed to hold them about once a quarter although Davies thought consultation was absolutely vital when the United Kingdom was stuck during negotiations. It was agreed that the next meeting be fixed for Wednesday 5 July at 3.00 pm.



MISS McNICOL

MEETING WITH CBI ON 10 JULY 1972

Double Taxation Matters

1. I attach notes by Mr Stewart and Mr Lewis on the state of play in discussions etc with their countries. I believe you already have a copy of Mr Thomas' aide-memoire.

2. The important news for the CBI concerns Jamaica and Malaysia -

a. The main points with regard to Jamaica are that agreement has been reached on Management Fees and Royalties and on the Non-Discrimination Article.

Management fees are to be subject to a withholding tax of 12 $\frac{1}{2}$ % but there will be an option for the recipient to be taxed on a net income basis; on royalties the withholding tax will be 10%. The Non-Discrimination Article would be on conventional lines but would provide for the exclusion of the Jamaicans' tax on Insurance Premiums and whatever other taxes the Taxation Authorities of the two countries agreed should be excluded.

b. Agreement has been reached with Malaysia over the text of a new agreement subject to the revision of the Dividend Article in the light of our Corporation Tax changes. The Shipping Article will be in the usual form ie the state of residence will have the exclusive right to tax. The Royalties Article will exempt "Approved industrial royalties" from Malaysian tax, but the Credit Article will give matching Credit up to 15% in respect of the waived tax; most other royalties will be subject to a 15% withholding tax.

3. The CBI will also be interested to hear of developments in East Africa. We have sent all three countries the draft of a management fees Article along the lines of the one agreed with Jamaica, and are awaiting their comments. Kenya has given notice of termination of the present agreement and no public announcement has yet been made in this country - we should like to agree on the draft of an announcement with the Kenyans.

4. There is little else to report on the Agreement side.

EEC

5. Only one Directive has been published which affects the Inland Revenue - Directive 69/335 on the "droit d'apport". Draft Directives have been published on The Taxation of International Mergers (COM 69/5), the Taxation of Parent and Subsidiary Companies (COM 69/6), the Rates of the droit d'apport (COM 71(8)) and Accountants and Tax Consultants. Draft Regulations have been published on joint Enterprises (Entreprise Commune) (COM 71(812)) and the European Company (COM 70(600)).



1. Agreements approved by Parliament and now before the Privy Council which will meet this week on 27 July.

Malaysia	Cyprus (Dividend Article only)
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1. Agreements approved by Parliament and now before the Privy Council which will meet this week on 27 July.
- |                     |          |                                |
|---------------------|----------|--------------------------------|
| Denmark             | Malaysia | Cyprus (Dividend Article only) |
| Republic of Ireland | Jamaica  |                                |
| France              | Finland  |                                |
|                     |          |                                |

2. Agreements laid before Parliament.  
None

3. Agreements signed but not laid.  
None

4. Agreements initialled but not signed. )

Agreements initialled )  
Barbados )  
Belize (formerly British Honduras) ) These six have been agreed  
Falkland Islands ) in correspondence and will  
St Lucia ) not be initialled  
British Solomon Islands )  
Gilbert & Ellice Islands )

Sweden ) Signature expected shortly  
Kenya )

- Kenya )
5. Agreement in principle but subject to further consideration.
- but subject to one small

Agreement in principle but subject to one small  
Norway (Initialled by Norwegians but subject to one small  
query raised by UK)

Federal Republic of Germany  
Indonesia  
Singapore  
Sierra Leone

Mauritius  
The Gambia  
Malawi  
St Vincent  
Montserrat

Discussions held but no agreement in principle as yet.

USA	Switzerland
Portugal	New Zealand
Netherlands	Botswana
Austria	Swaziland (L)
Belgium	Japan
Canada	Australia
Brazil	(talks arranged for mid-November)

South Africa (L)  
Fiji (L)  
Lesotho (L)  
Seychelles (L) (Tarltonized)  
Trinidad & Tobago (L)  
Malta - underlying relief)  
Zambia (L)  
Brunei (L)



7. Proposals made but no discussions as yet.

Luxembourg	Antigua
Italy	Dominica
Nigeria	Grenada
Tanzania	St Kitts
Israel	Spain
Ghana	Cyprus (discussions being held now to revise whole agreement)

8. No proposals made as yet.

Burma  
Pakistan  
S W Africa  
Iran  
Netherlands Antilles (waiting on Netherlands)  
Guyana

British Virgin Islands<sup>6</sup>  
Uganda (terminated)  
Greece (no Dividend Article)  
Faroe Islands  
Mexico  
Rhodesia (no approach can be made)

NOTE (1) (L) means that the 'discussions' were exchanges of views by letter.

(2) There are no dividend articles in our agreements with the Channel Islands and the Isle of Man. None will be proposed.



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5

DOUBLE TAXATION NEGOTIATIONS - PROGRESS REPORT No 6 - 5 OCTOBER 1973

1. ORDERS IN COUNCIL MADE
  - a. Agreements now in force:  
Cyprus (Dividend Article only)  
Denmark.  
France
  - b. Agreements not yet in force:  
Finland  
Jamaica  
Malaysia  
Republic of Ireland.
2. AGREEMENTS LAID BEFORE PARLIAMENT:  
None.
3. AGREEMENTS SIGNED BUT NOT LAID:  
Sweden  
Kenya (but amendments being made)  
Barbados.
4. AGREEMENTS INITIALLED BUT NOT SIGNED:  
Belize (formerly British Honduras)  
Falkland Islands  
St Lucia  
British Solomon Islands  
Gilbert & Ellice Islands  
Brunei  
Montserrat  
Norway  
Cyprus (new comprehensive Convention)  
These seven have been agreed  
in correspondence and will  
not be initialled nor signed.
5. AGREEMENT IN PRINCIPLE BUT SUBJECT TO FURTHER CONSIDERATION:  
Indonesia  
Singapore  
Sierra Leone  
Mauritius  
The Gambia  
Malawi  
St Vincent
6. DISCUSSIONS HELD BUT NO AGREEMENT IN PRINCIPLE AS YET:  
USA  
Fed Rep of Germany  
Portugal  
Netherlands  
Austria  
Belgium  
Canada  
Brazil (talks arranged for mid-November)  
Switzerland  
New Zealand  
Botswana  
Swaziland (L)  
Japan  
Australia  
South Africa (L)  
Fiji (L)  
Lesotho (L)  
Seychelles (L)  
Trinidad & Tobago (L)  
Malta - (underlying re  
Zambia (L)  
Israel (L).



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7. PROPOSALS MADE BUT NO DISCUSSIONS AS YET:

Luxembourg	Antigua
Italy	Dominica
Nigeria	Grenada
Tanzania	St Kitts
Ghana	Spain (The Spaniards have replied that they cannot see us until April 1974)

8. NO PROPOSALS MADE AS YET:

Burma  
Pakistan  
India  
S W Africa  
Netherlands Antilles (waiting on Netherlands)

British Virgin Islands (terminated)  
Uganda  
Greece (no Dividend Article)  
Faroe Islands  
Rhodesia (no approach can be made).

NOTE (1) (L) means that the 'discussions' were exchanges of views by letter.

(2) There are no dividend articles in our agreements with the Channel Islands and the Isle of Man. None will be proposed.

(3) The Protocol concluded with Italy in 1969 (which amended the United Kingdom/Italy Double Taxation Agreement following the introduction of the classical system of company taxation in the United Kingdom) has been ratified and will shortly enter into effect. The delay has been on the Italian side.



MR STEWART

MR MARSHALL

MEETINGS WITH BIA, CBI AND CoS OCTOBER 1973

Below is a copy of the latest progress report (ie at 5 October), and Additional information about the position of selected individual countries on my allocation is as follows.

1. United States of America

Although we are in a strong bargaining position (because of the relevant income flows) no real progress has been made in revising the present dividend article. Mrs Smallwood suggested during the last quarterly meeting with the CBI that if they (the CBI) felt strongly they might wish to make representations direct to the US authorities. [The BIA approach was made us in mid-September (an interview with Mr Hopkins followed) about the allowance of head office expenses in US branch accounts. The US Internal Revenue had wanted to inspect the books of 3 UK insurance companies and the BIA was not favourably disposed to that idea. *See note below*]

2. Australia

No real progress has been achieved since the meetings in Canberra last April. We are having great difficulty in persuading Australia to reduce its rate of withholding tax on trade dividends below 15 per cent. The nationalistic attitude of the new Australian Government presents our problem for us. ~~It seems that Australia may follow the example of Canada and New Zealand and impose a non-resident's withholding tax on the operations of branches.~~ Representatives of the BIA were to have visited Australia to make representations to the Taxation Revenue Committee. In particular the BIA considers that the Australians practise unfair discrimination in weighing their tax law heavily in favour of domestic organisations.

3. New Zealand

The situation here is very similar to that described above regarding Australia. Our primary concern with both countries is to revise the present dividend article.

4. Canada

Wide ranging discussions were held on Ottawa last June. No real progress since but both sides have agreed to continue the "discussions" in correspondence. The Chamber of Shipping have an interest in the Canadian's wish to tax domestic shipping traffic. We are not clear what is the Canadian definition of domestic traffic, for example whether or not it includes the whole of the St Lawrence Seaway and the Great Lakes area.

5. Cyprus

As announced to the Press on 21 August agreement was reached at official level on the terms of a new Convention to replace the 1947 Arrangement. It is hoped that signature will take place within the next 2 months so that the draft Convention may be placed before Parliament before Christmas. The text of the proposed new Convention contains an article dealing with shipping and air transport profits (Article 10). The Supplementary Agreement revising the dividend article came into effect on 27 July 1973.



6. The only other dividend article revisions now effective are Denmark and France.

7. We have approached the Danes (through the Foreign and Commonwealth Office) asking if the Faro Islands would like to be covered by the new Supplementary Protocol with Denmark.

8 Finland

We expect to hear shortly that the Finns have completed their action necessary to bring the Protocol into effect.

9. Sweden

The further Supplementary Protocol revising the dividend article in the Convention should be laid before Parliament when it re-assembles (on 16 October).

10. Norway

Signature of the Protocol is expected shortly.

11. Turkey

The Chamber of Shipping <sup>(McDonagh)</sup> recently wrote to Mrs Smallwood asking whether there was any possibility of concluding an agreement with Turkey. ~~Mrs Smallwood~~ <sup>Mr Hopkins</sup> replied that we would bear Turkey in mind as a possible candidate for double taxation negotiations. ~~He~~ <sup>She</sup> added that Turkey had an agreement with Norway, signed in December 1971, which does not exempt Norwegian shipping from Turkish tax, and suggesting perhaps that the Turks are less willing to make concessions to maritime nations on the taxation of shipping profits. The background to this reply is that, following

W COUGHLIN

9 October 1973

Correspondence with DTI and FCO, we have agreed there is nothing to be gained from pressing for an agreement now and we have decided not to offer the limited air/shipping agreement we had drafted to the Turks since this wd probably provoke a request for full scale negotiations. We have told DTI however that we wd be prepared to take up the matter of a limited dta with the Turks if there is pressure from UK interests.

United States

The RIA did not approach us about the IRS's wish to send auditors to this country. The 3 insurance companies concerned made representations direct.

64.



Mr Stewart

Below is a brief summary of the state of play concerning the more important countries in my allocation and also certain other countries in which the outside bodies have an interest.

Malaysia

- The new DTA has received the force of law in the United Kingdom but the Agreement has not yet come into force as it has not become law in Malaysia yet due to an administrative blockage.

Singapore

- The Protocol has recently been agreed and initialled copies are expected to be exchanged shortly.

Kenya

- A comprehensive DTA was signed on 31 July 1973 but an omission was made in the signed text and this amendment together with a revised agreed definition of Kenya is being made.

Indonesia

- We have sent a draft of a comprehensive agreement to Indonesia. Due to staff problems in Indonesia there will be some delay in considering this draft.

Brazil

- Talks will be held in London in mid November.

South Africa

- Correspondence on the revised dividend article has taken place. It is hoped to arrange talks in the near future.

Nigeria

- We have not yet received any comments on our dividend proposals which may be due to changes in Nigerian tax legislation.

Countries in which the outside bodies have expressed an interest.

India

- The United Kingdom thinks that no progress can be made until India changes her attitude on shipping.

Thailand

- Thailand does not seem to be very interested in a DTA with the United Kingdom. In the few DT Agreements she has with other countries the shipping provisions are on a 50/50 basis.

See note

Iran

\* See note below

- We exchanged drafts with Iran and felt fairly optimistic that agreement could be reached. However there was an apparent lack of response from Iran but we have recently asked the F & CO to ascertain, via the Embassy, when Iran would be able to have talks.

Mexico

- There has been no correspondence concerning a Double Taxation Agreement with Mexico.

Egypt

- A draft of a limited agreement covering air transport profits will be forwarded to Egypt in October. We are asking the Embassy to ask the Egyptians whether they would be interested in talks for a comprehensive agreement.



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The Sudan

Has expressed a desire to have negotiations to conclude a DTA. A United Kingdom draft convention will be forwarded during October.

South Korea

See Note

- We ~~do not~~ have a file for this country <sup>but</sup> and have little information about South Korea's attitude to DTAs.

Morocco

- In 1970 the Moroccans sent us a draft agreement which we deemed unacceptable. We undertook to prepare a fresh draft for the consideration of the Moroccans but this was delayed by the announcement of the new system of United Kingdom corporation tax. In July 1972 the Embassy reported that some members of the British Chamber of Commerce in Morocco had expressed reservations on the desirability of concluding a DTA and that the position was being investigated further. We have not received any correspondence about this since then <sup>but</sup> are now writing to the Foreign Office for the ~~the~~ present position.

\* Iran

We have now heard from the Embassy that, subject to certain assurances (which we will be able to give) the Iranians are willing to have talks.

Thailand

We are asking the Foreign Office about the possibility of an agreement.

Ally C. Adams

11/10/73

South Korea

We are asking the Foreign Office about the possibility of an agreement.



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Position at 7 January 1974

PS 1740/73

DOUBLE TAXATION NEGOTIATIONS - PROGRESS REPORT No 8 - 19 DECEMBER 1973

ORDERS IN COUNCIL MADE

- 1. a. Agreements now in force:  
Cyprus (Dividend Article only)      France  
Denmark      Republic of Ireland
- b. Agreements not yet in force:  
Barbados      Finland )  
Belize      Jamaica ) United Kingdom procedures completed  
Brunei      Malaysia )

2. AGREEMENTS AWAITING RATIFICATION

Sweden

3. AGREEMENTS SIGNED BUT NOT LAID:

Kenya

4. AGREEMENTS INITIALLED BUT NOT SIGNED:

- Seychelles
- Falkland Islands
- British Solomon Islands
- Gilbert & Ellice Islands
- Montserrat
- St Lucia
- Norway
- Cyprus (new comprehensive Convention)
- St Vincent
- Indonesia

) These five have been  
) agreed in correspondence  
) and will not be  
) initialled nor signed.  
)

5. AGREEMENT IN PRINCIPLE BUT SUBJECT TO FURTHER CONSIDERATION:

- ~~Indonesia~~      Mauritius
- Singapore      ~~The Gambia~~
- Sierra Leone      ~~Malawi~~

*The Gambia } initialling not required for these  
Malawi } two.*

DISCUSSIONS HELD BUT NO AGREEMENT IN PRINCIPLE AS YET:

- |                    |               |                             |
|--------------------|---------------|-----------------------------|
| USA                | Switzerland   | South Africa                |
| Fed Rep of Germany | New Zealand   | Fiji (L)                    |
| Portugal           | Botswana      | Lesotho (L)                 |
| Netherlands        | Swaziland (L) | Trinidad & Tobago (L)       |
| Austria            | Japan         | Malta - (underlying relief) |
| Belgium            | Australia     | Zambia (L)                  |
| Canada             |               | Israel (L)                  |
| Brazil             |               |                             |



CONFIDENTIAL

7. PROPOSALS MADE BUT NO DISCUSSIONS AS YET:

Luxembourg  
Italy  
Nigeria  
Tanzania  
Ghana  
Antigua  
Faroe Islands

Iran  
Dominica  
Grenada  
St Kitts  
Spain (The Spaniards have replied  
that they cannot see us until  
April 1974)  
The Sudan

8. NO PROPOSALS MADE AS YET:

Burma  
Pakistan  
India  
S W Africa  
Netherlands Antilles  
(waiting on Netherlands)

British Virgin Islands (terminated)  
Uganda  
Greece (no Dividend Article)  
Rhodesia (no approach can be made)

NOTE (1) (L) means that the 'discussions' were exchanges of views by letter.

(2) There are no dividend articles in our agreements with the Channel Islands and the Isle of Man. None will be proposed.



DOUBLE TAXATION: POSITION AS AT 15 JULY 1974

A - Revision of dividend articles

Antigua	No comments on our proposals received as yet.
Australia	Discussions held in 1973 but no agreement reached. No recent progress to report.
Austria	No agreement reached at discussions held in 1972. No progress since then.
Barbados	New dividend article now in force (SI 1973 No 2096)
Belize	Agreement (including matching credit) now in force.
Belgium	No agreement reached at discussions held in 1972. No progress since.
British Solomon Islands	Agreement laid. (Standing Committee 3 July)
Brunei	UK procedures completed, but completion by Brunei awaited.
Canada	We consider it would be inappropriate to resume discussions on the dividend article at present but shall be writing to the Canadians shortly about other open points.
Cyprus	New dividend article now in force (1973 No 1325). A revised comprehensive agreement was signed in Nicosia on 20 June.
Denmark	New dividend article (SI 1973 No 1326) now in force.
Dominica	No comments yet made on our proposals.
Falkland Islands	Agreed in detail and SI being prepared. Initialling and signature not required.
Finland	New dividend article (SI 1973 No 1327) now in force.
France	New dividend article (SI 1973 No 1328) now in force.
The Gambia	Revised dividend article agreed but protocol not yet signed. Talks have been held about a revised comprehensive agreement and we shall shortly be writing about the open points.



3

Germany	Discussions still taking place.
Ghana	Proposals made but Ghanaians unwilling to discuss them in isolation. We have now offered talks about a full revision.
Gilbert & Ellice Islands	Agreement now laid. (Standing Committee 3 July)
Grenada	No comment yet made on our proposals.
Italy	No discussions have yet taken place but now that the Italians have introduced their new taxes (with effect from 1 January 1974) they have indicated generally at OECD that they will be able to find time for bilateral discussions. They have not yet approached us.
Japan	Talks held but no agreement reached. We are now looking at the position of approved investment funds.
Ireland, Republic of	Agreement now in force for limited period only (1973/74 and 1974/75)
Luxembourg	Waiting on outcome of UK/Netherlands discussions.
Malawi	Dividend article agreed but not yet signed.
Malta	Agreed in detail and should be initialled shortly.
Mauritius	Dividend article agreed in detail; matching credit under consideration.
Montserrat	Agreed in principle but Montserrat has now raised further questions.
Netherlands	Discussions held in 1972 but no agreement reached.
Netherlands Antilles	Waiting outcome of discussions with Netherlands.
New Zealand	Talks held but no agreement reached. No recent progress.
Norway	New dividend article initialled. We have now offered them a fresh version on UK/Swiss lines which they are considering.
Pakistan	No proposals made.



Portugal

Discussions were held in 1973. The Portuguese undertook to contact us when they had considered our proposals, but they have not yet done so.

Seychelles

Agreement now laid. (Standing Committee 3 July)

St Kitts

No comment yet made on our proposals.

St Lucia

Agreed in detail, with matching credit. Awaiting signature.

St Vincent

Agreed in principle, but they have not yet indicated acceptance of the terms of our draft supplementary agreement.

Sweden

New dividend article (SI 1974 No 558) now in force.

Singapore

Revised dividend article on UK/Swiss lines now initialled. Definition of 'Singapore' and 'international traffic' under discussion.

Switzerland

Protocol to be signed in London on 19 July which covers UK side on alternative (classical/imputation) basis. Also breaks new ground in making provision for claims from approved investment funds on behalf of their members.

Trinidad & Tobago

Proposals made but discussions not yet begun.

USA

No recent developments; we await a reply from the US Treasury.

#### B - Other matters

Argentina

No developments but position is kept under review. If agreement is reached with Brazil we would seek one with Argentina.

Bangladesh

A draft of a full convention is ready to be sent to Dacca.

Brazil

We await a reply from Brazil to our letter of 8 April in which we commented on outstanding differences and suggested further talks.

Cyprus

Revised comprehensive convention signed in Nicosia on 20 June.

Egypt

We are in correspondence about a limited agreement covering air transport profits.

Ethiopia

We are corresponding about a limited agreement covering shipping and air transport profits.



Fiji

Talks about a revised comprehensive DTC are to be held in London in week beginning 8 July.

The Gambia

Talks about a revised comprehensive agreement were held recently. We shall shortly be writing about the open points.

Ghana

We have offered talks about a revised comprehensive agreement but dates not yet fixed.

Hungary

~~We want~~ <sup>Favourable</sup> Hungarian reaction to ~~our~~ <sup>our</sup> draft of a limited air transport agreement. ~~They~~ <sup>Want discussions in the Autumn.</sup>  
No developments. Main problem is the treatment of shipping profits.

India

Indonesia

A new comprehensive agreement was signed in Jakarta in March. The FCO is arranging for several errors in the signed text to be rectified before the agreement is laid.

Iran

We have offered talks about a comprehensive DTC and await a response from Iran.

Kenya

The convention signed last year has not yet been laid before Parliament as the Kenyans have expressed doubts in view of our Budget proposals and we await their comments.

Mexico

Moreocco

No developments about a possible DTC.

We have asked our Embassy in Rabat to enquire whether the Moroccans are still interested in a convention with us.

Philippines

The Philippines recently approached us about the possibility of a DTC. We have confirmed our interest through the FCO and have offered to prepare a draft.

Poland

Comprehensive DTA to be drafted.

Romania

Comprehensive DTA in draft.

South Korea

Following the visit to London of the Korean Deputy Prime Minister who said he had no objection in principle to negotiations about a possible DTC, our Embassy in Seoul has made approaches to the Koreans and their response is awaited.

Spain

A UK draft convention was recently given to the Spaniards. ~~It is hoped to have~~  
Preliminary discussions in July and subsequent discussions in December or January.



3

Sudan

The Sudanese have made some preliminary comments on our draft agreement. We have offered to hold talks and await their response.

Tanzania

We recently received a letter from Tanzania which seemed to imply that they do not regard the DTA as being in force. We have now been advised by the FCO that the Commissioner of Taxes in Tanzania confirms that the agreement is in force.

Thailand

We are preparing a draft convention for consideration by Thailand.

USSR

Limited agreement covering air transport undertakings and their employees now before Parliament.



3 2 1

PS 1740/73

2 July 1974

DOUBLE TAXATION NEGOTIATIONS - PROGRESS REPORT NO 11

1. ORDERS IN COUNCIL MADE

a. Agreements now in force:

Barbados  
Belize  
Cyprus (Dividend Article only)  
Denmark  
Finland

France  
Republic or Ireland  
Jamaica  
Malaysia  
Sweden

b. Agreements not yet in force:

Agreements not yet in force.  
Brunei. United Kingdom procedures completed.

2. AGREEMENTS LAID BEFORE PARLIAMENT

British Solomon Islands  
Seychelles

Gilbert and Ellice Islands  
USSR (limited agreement -  
on air transport)

3. AGREEMENTS SIGNED BUT NOT LAID

Kenya  
Cyprus (new comprehensive  
convention)

Indonesia

4. AGREEMENTS INITIALLED BUT NOT SIGNED

Switzerland

St Lucia

Switzerland  
St Lucia  
Falkland Islands (This one has been agreed in  
correspondence and will not  
be initialled nor signed.)  
(initially) ) initiall

The Gambia (Dividend Article only) ) be initialled nor signed.  
 ) initialling not  
 ) required for these  
 ) two

## Malawi

5. AGREEMENT IN PRINCIPLE BUT SUBJECT TO FURTHER CONSIDERATION

Mauritius  
Singapore  
Sierra Leone

Norway (now considering Swiss  
Malta type dividend Article

Formal acceptance of the  
draft Supplementary

)Arrangements is awaited  
)for these two

Monserrat )  
St Vincent)



6. DISCUSSIONS HELD BUT NO AGREEMENT IN PRINCIPLE AS YET  
(talks to be held in July)
- |                    |               |  |
|--------------------|---------------|--|
| USA                | Brazil        | Fiji (L)                               |
| Fed Rep of Germany | New Zealand   | Lesotho (L)                            |
| Portugal           | Botswana      | Trinidad & Tobago (L)                  |
| Netherlands        | Swaziland (L) | Zambia (L)                             |
| Austria            | Japan         | Israel (L)                             |
| Belgium            | Australia     | The Gambia (comprehensive conventions) |
| Canada             | South Africa  | Sri Lanka                              |

7. PROPOSALS MADE BUT NO DISCUSSIONS AS YET

Luxembourg	Iran
Italy	Dominica
Nigeria	Grenada
Tanzania	St Kitts
Ghana	Spain (comprehensive agreement)
Antigua	The Sudan
Faroe Islands	Hungary (air transport)

8. NO PROPOSALS MADE AS YET
- |  |  |
|--|--|
| Bangladesh (draft comprehensive agreement prepared)                            | British Virgin Islands (terminated)  |
| Burma  | Uganda   |
| Pakistan   | Greece (no Dividend Article)   |
| India  | Rhodesia (no approach can be made)   |
| SW Africa  | South Korea  |
| Morocco  | Yugoslavia - we are considering a Yugoslav draft for a comprehensive agreement |
| Netherlands Antilles (waiting on Netherlands)                                  | Romania - United Kingdom draft for comprehensive agreement being drawn up      |
| Yugoslavia - we are considering a Yugoslav draft for a comprehensive agreement | Poland - to follow United Kingdom draft for Romania                            |
| Romania - United Kingdom draft for comprehensive agreement being drawn up      | Philippines  |
| Poland - to follow United Kingdom draft for Romania                            | Thailand - draft comprehensive agreement in preparation                        |

NOTE (1) (L) means that the 'discussions' were exchanges of views by letter.

- (2) There are no dividend articles in our agreements with the Channel Islands and the Isle of Man. None will be proposed.



DOUBLE TAXATION: POSITION AS AT 7 OCTOBER 1974

AUSTRALIA  
BANGLADESH

No recent progress to report.  
Draft agreement sent to Dacca in August.  
Comments from Bangladesh are awaited.

BOTSWANA

Talks arranged at short notice about a revision of the dividends article and which are now taking place in London have widened into a reconsideration of the whole agreement. As further negotiation is likely to be required we would welcome representations from the CBI.

BRAZIL

Informal discussions are to be held in Brazil at the end of this month (not for information of CBI). It is hoped to arrange another round of formal talks after the Election.

THE GAMBIA

We are in correspondence with The Gambia following the February talks and await Gambian comments on our further proposals.

GHANA

Talks are now taking place at very short notice about a full revision of the agreement. CBI made representations in 1968 but we would welcome any further comments they may wish to make.

INDONESIA

The Indonesians have now accepted our proposed corrections to the English language text of the agreement which was signed in Jakarta earlier this year. The amendments will be effected by an exchange of notes which are now being drafted. It is hoped to publish the text of the agreement shortly.

IRAN

We still await a response from the Iranians to our offer of talks. Our Embassy is pressing the Iranians as much as it can.

NEW ZEALAND

No further progress on renegotiation.

KENYA

We have just heard unofficially that the Kenyans may be ready to proceed with ratification and will ask our High Commission to confirm the position.

REPUBLIC OF  
KOREA

Draft agreement sent to Korea in September. We have suggested talks early in 1965.



PHILIPPINES

A Philippines Cabinet Minister is to visit Somerset House on Friday 11 October for a preliminary discussion. A draft agreement is ready for handing over at the meeting.

SRI LANKA.

A further round of talks will take place in Colombo during the week commencing 18 November.

SUDAN

The Sudanese want talks about a full convention to take place in London during November. We have suggested 11 November.

THAILAND

A draft agreement was sent to Thailand in September.



STAMPS AND TAXES DIVISION

DOUBLE TAXATION: STATE OF PLAY: JANUARY 1976

ARGENTINA

If we can agree with Brazil, we would approach Argentina.

AUSTRALIA

No recent progress to report on renegotiation.

AUSTRIA

Revision of the dividend article was discussed briefly with the Austrians at OECD WPI in December 1974 and agreement reached in principle.

BANGLADESH

Our draft convention handed over to Bangalees by our High Commission in Dacca in September. No response as yet.

BELGIUM

They have not mentioned revision of the dividend article since inconclusive discussions in 1972. We shall not take the initiative.

BOTSWANA

Talks about a full revision of the agreement took place in London during the Autumn. Both sides are now considering the outstanding points.

BRAZIL

Several minor points cleared up at informal talks held in Brasilia at the end of October. We are now considering the outstanding points of principle.

BRUNEI

Protocol amending dividend article now in force.

CANADA

We have written to Canada about some of the outstanding points and will be writing again shortly.

CYPRUS

New dividend article now in force (SI 1973 No 1325). A revised comprehensive agreement was signed in June 1974 and laid before the House of Commons on 20 January. The text is now available from HMSO.

DENMARK

Dividend article now revised on imputation lines and in force. Still corresponding about extension to Faroes. Question of revising existing DTA seems to be shelved for a quieter time.

FIJI

We have been in correspondence with the Fijians since talks about a revised convention were held in July 1974 and have now reached agreement on the outstanding points. A revised text is now being prepared for initialling.

GAMBIA

We are in correspondence with the Gambia following talks last year and await their comments on our further proposals.



GERMANY

Discussions about revision of dividends article scheduled for 3 January. We are putting forward Swiss type draft.

GHANA

Talks were held in November about a full revision of the existing agreement and we are now considering the outstanding points.

HUNGARY

Discussions held in Budapest about a limited air transport agreement on United Kingdom/USSR lines. Hungarians made tentative suggestions about a comprehensive agreement but no action yet taken by either side.

INDONESIA

The errors in the text signed in Jakarta last year have now been corrected following an exchange of notes and we hope to publish the text shortly as a draft SI.

IRAN

We still await a response from the Iranians to our offer of talks. This will be renewed at a meeting of the Joint Ministerial Commission at the end of January and it is possible that talks will follow shortly afterwards.

ITALY

They have now indicated that they wish to discuss revision of the dividends article and possibly other parts of the DTA. No dates yet fixed. In meantime, they have agreed that the present agreement may be regarded as in force. Several cases remain outstanding.

JAPAN

Talks held about revision of dividends article but no agreement reached. We wrote to them recently about position of investment trusts.

KENYA

We have recently heard from our High Commission that the Kenyans are unhappy about some of the provisions of the signed agreement. We await a written statement of their position from the Kenyans.

KOREA

Talks about a comprehensive agreement provisionally arranged for March 1975. They have our draft convention. *letter inviting representations sent to CBI today.*

LUXEMBURG

Negotiations on dividend article will not take place until we have reached agreement with Netherlands.

MOROCCO

FCO is now on balance in favour of a fresh approach to the Moroccans and we will prepare a draft convention when state of work permits.

NORWAY

Substantial agreement on revision of the dividends article (Swiss type) was reached at recent talks. A protocol amending the convention is likely to be initialled shortly.



MAURITIUS	Talks about a full revision of the existing arrangement are to commence in London on 28 January. Representations have already been invited.
NETHERLANDS	Have classical system and oppose our dividends article package reimputation system. Presumably they await possible changes in our present system.
NEW ZEALAND	No recent progress to report.
PHILIPPINES	Following submission of our draft convention preliminary discussions were held in London during December. These revealed differences of principle which will have to be resolved before formal talks take place.
POLAND	Draft comprehensive DTA in preparation. We are asking the Department of Trade to send a draft with a view to talks later.
ROMANIA	Preliminary talks about comprehensive DTA held in London last year and each side is now considering points of detail. Talks to be resumed in Bucharest later this year.
SINGAPORE	"Swiss type" dividends article agreed in principle. We hope to reach agreement shortly on the other points in the amending Protocol.
SPAIN	Talks about a comprehensive DTA to be resumed in London from 24-28 February.
SRI LANKA	A further round of talks took place in Colombo during November and we are now considering the outstanding points. eg shipping.
SUDAN	New comprehensive agreement on OECD lines initialled at conclusion of talks in November 1974. ECO now arranging for signature.
SWITZERLAND	The Supplementary Protocol has been laid and approved. Ratification must await approval by the Swiss Federal Council. It has been approved by the First Chamber and we believe the Second Chamber will discuss it in March.
THAILAND	Embassy has handed over our draft convention to the Thais and we await their comments.
USA	No recent progress to report.
USSR	Limited air transport agreement now in force.
YUGOSLAVIA	Draft comprehensive agreement sent to Yugoslavia.
ZAMBIA	We hope to reach agreement shortly on a Protocol including a Swiss type dividend article and a matching credit provision.



NEGOTIATIONS FOR LIMITED AGREEMENTS: STATE OF PLAY JANUARY 1975

- CHINA We have made proposals to the Chinese for an air profits agreement and are now considering the possibility of widening it to cover shipping profits.
- EGYPT We have replied to the Egyptian counter proposals on our draft agreement covering air transport profits and await their further comments.
- ETHIOPIA We understand from FCO that the Ethiopians have accepted in principle our draft of an air profits agreement, but progress is slow because of their internal situation.
- HUNGARY Substantial agreement was reached at talks in Budapest about a limited air transport agreement. We are waiting to hear from the Hungarians after they have consulted their Ministers.
- SAUDI ARABIA We are in correspondence with the Saudis about a draft air transport profits agreement sent to them in February last year.
- ZAIRE We recently sent a reminder about our draft of a shipping and air profits agreement. (The FCO held us to our draft in error and it probably did not reach the Zaire authorities until September 1974).



25 March 1975

## DOUBLE TAXATION NEGOTIATIONS - PROGRESS REPORT NO 15

## 1. ORDERS IN COUNCIL MADE

## Agreements now in force:

Barbados  
 Belize  
 British Solomon Islands  
 Brunei  
 Cyprus (comprehensive Convention)  
 Denmark  
 Falkland Islands  
 Finland

France  
 Gilbert & Ellice Islands  
 Republic of Ireland  
 Jamaica (comprehensive  
 Malaysia) Conventions)  
 Malta  
 Seychelles  
 Soviet Union (air transport  
 agreement)  
 Sweden

## 2. AGREEMENTS LAID BEFORE PARLIAMENT

Switzerland (awaiting  
 ratification)

## 3. AGREEMENTS SIGNED BUT NOT LAID

Indonesia )  
 Kenya ) (comprehensive  
 Sudan ) Conventions)

## 4. AGREEMENTS "INITIALLED" BUT NOT SIGNED

The Gambia (Dividend Article only) )  
 St Lucia ) initialling not  
 Malawi ) required for  
 Singapore ) these three.  
 Fed Rep of Germany  
 Norway

## 5. AGREEMENT IN PRINCIPLE BUT SUBJECT TO FURTHER CONSIDERATION

Mauritius  
 Sierra Leone

Formal acceptance of the  
 Draft Supplementary  
 ) Arrangements is awaited  
 ) for these two

Montserrat )  
 St Vincent )  
 Romania (comprehensive Convention)  
 Zambia  
 Fiji (comprehensive Convention)(initialled by the UK)  
 Hungary (limited agreement covering air transport  
 undertakings and their employees only)  
 Faroe Islands (extension of the Danish Protocol)



6. DISCUSSIONS HELD BUT NO AGREEMENT IN PRINCIPLE AS YET

USA  
Portugal  
Netherlands  
Austria  
Belgium  
Canada  
Brazil

Israel (L)  
New Zealand  
Swaziland (L)  
Japan  
Australia  
South Africa  
Lesotho (L)

Ghana  
The Gambia  
Sri Lanka  
Spain  
Botswana  
Philippines  
Iran

)  
) comprehensive  
)  
)  
) Conventions  
)

7. PROPOSALS MADE BUT NO DISCUSSIONS AS YET

Bangladesh  
Luxembourg  
Italy  
Nigeria  
Tanzania  
Antigua

Dominica  
Grenada  
St Kitts  
Thailand

Trinidad & Tobago (L)  
South Korea (talks arranged for  
24-27 March)

Egypt - air transport profits  
only

Ethiopia - shipping and  
air transport  
profits only

Saudi Arabia - air transport  
profits only

Zaire - shipping and air transport  
profits only

8. NO PROPOSALS MADE AS YET

Burma  
Pakistan  
India  
SW Africa

British Virgin Islands  
(terminated)

Uganda  
Greece (no dividend  
Article)

Rhodesia (no approach  
can be made)

Morocco (UK draft in preparation)

Netherlands Antilles

(waiting on Netherlands)

Yugoslavia - we are considering a

Yugoslav draft for a  
comprehensive agreement

Poland

NOTE (1) (L) means that the 'discussions' were exchanges of  
views by letter.

(2) There are no dividend articles in our agreements with  
the Channel Islands and the Isle of Man. None will  
be proposed.



MEETING WITH THE CONFEDERATION OF BRITISH INDUSTRIES  
4TH JULY 1975

1. U.S.A.

- (a) Mrs Smallwood will presumably report on the progress of the DTA negotiations.

- (b) U.S. State taxes - global basis of assessment.

At the previous meeting the CBI spoke about the Californian concept of global taxation and subsequently sent Mrs Smallwood a note on the subject. Mrs Smallwood wrote to Mr Gordon of the U.S. Treasury about this for any comments and advice. She has received a reply and says that she will speak about this at this meeting without further briefing.

2. Progress in other double taxation negotiations since the last meeting.

Canada

We have written to Canada about some of the outstanding points.

Czechoslovakia - We are preparing a draft convention.

Egypt

We are considering a possible approach to the Egyptians about a comprehensive agreement.

Gambia

We recently had further talks with the Gambians and the outstanding points will be followed up in correspondence.

West Germany

Agreement has been reached at official level on the text of a revised dividends article. The Supplementary Protocol is awaiting signature.

East Germany

We have agreed to have preliminary talks but dates have not yet been fixed.

Hungary

A limited air transport agreement was signed at the beginning of June. The Hungarians have made tentative suggestions about a comprehensive agreement but no action yet taken by either side.



-- DIVISION

Indonesia

The new agreement has been approved by Parliament and now awaits ratification.

Iran

A wide measure of agreement on the terms of a comprehensive convention was reached at talks held in Tehran during March. Further talks scheduled to begin in Tehran on 27 April were cancelled by the Iranians who are revising their tax legislation. It is hoped to hold further talks in September.

Kenya

A Protocol amending the Agreement signed in 1973 was initialled at talks held in Nairobi during week ended 28 June.

Korea

Talks took place in London at the end of March and it is hoped to hold a second round in Seoul during the week beginning 13 October.

Morocco

We recently sent our draft of a comprehensive agreement to the Moroccans through the F.C.O.

Philippines

Somewhat unexpectedly, full scale talks with the Philippines took place in London early in May. Considerable progress was made and it is hoped to hold a further round of talks in Manila during October.

Poland

Talks about a comprehensive agreement will be held in Warsaw at the end of July

Romania

Agreement at official level on the text of a comprehensive convention was reached at talks held in London from 16-20 June.

Singapore

A Protocol amending the dividends article has recently been initialled and arrangements are being made for signature.



### Spain

The text of a comprehensive convention was initialled at talks held in Madrid at the beginning of June.

### Tunisia

Our draft of a comprehensive convention was sent to the Tunisians in June.

### Other countries

A summary of the state of play is attached.

## 3. OECD

### Revision of Draft Double Taxation Convention on Income and Capital

Discussion of the revision of Articles 5 (Permanent Establishment) and 23 (Exemption and credit methods for elimination of double taxation) is continuing.

At its meeting from 24-26 June the Committee on Fiscal Affairs adopted Articles 14 (Independent Personal Services) 15 (Dependent Personal Services) 18 (Pensions) 20 (Students) 28 (Territorial Extension) 29 (Entry into Force) and 30 (Termination). The Articles will now go to the OECD Council for derestriction.

WP6 on multinationals.

The Special Working Group at its meeting on 20-21 May started its consideration of Royalties.

The Working Party at its meeting on 22 May accepted the Special Working Group's paper on the Treatment of Loans and continued with discussion of measures taken by various countries to combat the use of tax havens.

## 4. EEC

### Corporation Tax Harmonisation

A final Commission working paper, containing a draft Directive and comments, was considered at a meeting of Heads of Tax Administrations in Brussels on 3 and 4 June 1975. [There was little sign of any serious intention by any country to modify its own tax system to fit the Directive.] The Commission hope to send the Council final proposals by the end of the year.

WP IV DG XV

The Working Party has been discussing a Working Document of provisions for mutual assistance by the competent authorities of Member States in the field of direct taxation.



DOUBLE TAXATION: STATE OF PLAY: JUNE 1975

ARGENTINA If we can agree with Brazil, we would approach Argentina.

AUSTRALIA No recent progress to report on renegotiation.

AUSTRIA Revision of the dividend article was discussed briefly with the Austrians at OECD WPI in December 1974, and subsequently by correspondence. We seem now to be close to agreement and shall be writing to them again shortly with a new draft.

BANGLADESH Our draft convention handed over to Bangalees by our High Commission in Dacca in September. No response as yet.

BELGIUM They have not mentioned revision of the dividend article since inconclusive discussions in 1972. We shall not take the initiative.

BOTSWANA Talks about a full revision of the agreement took place in London during the Autumn. We have written to Botswana about the outstanding points.

BRAZIL Several minor points cleared up at informal talks held in Brasilia at the end of October. We are now considering the outstanding points of principle.

BRUNEI Protocol amending dividend article now in force.

CANADA We have written to Canada about some of the outstanding points.

CYPRUS A revised comprehensive agreement came into force on 18 March and has effect in the UK as from April 1975. The text is now available from HMSO. (SI 1975 No 425).

DENMARK Dividend article now revised on imputation lines and in force. Extension of revised Dividend article to Faroes now agreed in principle. A draft SI is expected to be laid before the House of Commons shortly. Talks about revising existing DTA may take place later this year.



FIJI

A revised comprehensive agreement has been initialled and arrangements are being made for signature.

GAMBIA

We recently had further talks with the Gambians and the outstanding points will be followed up in correspondence.

GERMANY

Agreement has been reached at official level on the text of a revised dividends article. The Supplementary Protocol is awaiting signature.

GHANA

Talks were held in November about a full revision of the existing agreement and we are now considering the outstanding points.

HUNGARY

A limited air transport agreement on United Kingdom/USSR lines was signed at the beginning of June and a draft S I is in preparation. Hungarians have made tentative suggestions about a comprehensive agreement but no action yet taken by either side.

INDONESIA

The new comprehensive agreement has been approved by Parliament and instruments of ratification have now to be exchanged.

IRAN

A wide measure of agreement on the terms of a comprehensive convention was reached at talks held in Tehran at the beginning of March. Further talks scheduled to begin in Tehran on 27 April were cancelled by the Iranians but it is hoped to arrange further talks in July or September.

ITALY

They have now indicated that they wish to discuss revision of the dividends article and possibly other parts of the DTA. No dates yet fixed. In meantime, they have agreed that the present agreement may be regarded as in force. Several cases remain outstanding.

JAPAN

Talks held about revision of dividends article but no agreement reached. We wrote to them about position of investment trusts and await a reply.

KENYA

~~We have heard from our High Commission that the Kenyans are unhappy about some of the provisions of the signed agreement. We await further details from the Kenyans.~~

A Protocol amending the Agreement signed in 1973 was initialled at talks held in Nairobi during the week ended 28 June 1975.



KOREA	A wide measure of agreement was reached at talks about a comprehensive agreement held in London during March. It is hoped that further talks will take place later this year in Seoul.
LUXEMBURG	Negotiations on dividend article will not take place until we have reached agreement with Netherlands.
MALTA	An agreement amending the 1962 arrangement with Malta is now in force.
MOROCCO	FCO is now on balance in favour of a fresh approach to the Moroccans. We have sent a draft convention to the FCO for handing to the Moroccans.
NORWAY	Substantial agreement on revision of the dividends article (Swiss type) has been reached, and arrangements are now being made for signature.
MAURITIUS	Talks about a full revision of the existing arrangement took place in London on 28 January and a measure of agreement was reached. The outstanding points are now being considered.
NETHERLANDS	Have classical system and oppose our dividends article package reimputation system. Presumably they await possible changes in our present system.
NEW ZEALAND	No recent progress to report.
PHILIPPINES	Considerable progress was made at talks held in London in May. It is hoped to hold further talks in Manila later this year.
POLAND	The Secretary of State for Trade raised the question of a double taxation agreement during his official visit to Warsaw at the end of March and it was agreed that negotiations should be started as soon as mutually convenient. We have sent a draft of a comprehensive Convention to the Poles but <del>it now seems that they may be thinking in terms only of a limited air transport agreement and talks will be held in Warsaw at the end of July.</del>



ROMANIA

Agreement at official level on the text of a comprehensive DTC was reached at talks held in London from 16 - 20 June.

SIERRA LEONE

Agreement on revised dividends article reached in principle.

SINGAPORE

The text of an amending Protocol has recently been initialled and arrangements for signature are now being made.

SPAIN

Agreement was reached at official level on the text of a comprehensive DTC during talks held in Madrid from 2 - 6 June.

SRI LANKA

A further round of talks took place in Colombo during November and we are now considering the outstanding points, eg shipping.

SUDAN

New comprehensive agreement on OECD lines was signed in March and will be published as a draft S I in due course.

SWITZERLAND

The Supplementary Protocol has now been published as a Schedule to an Order in Council ( S I 1975 No.1043 ).

THAILAND

Embassy has handed over our draft convention to the Thais and we await their comments.

TUNISIA

The Tunisians wish to negotiate a comprehensive agreement with us and we have recently sent them a draft.

USA

Intensive discussions have been held in London and Washington during the last three months but agreement has not yet been reached.

USSR

Limited air transport agreement now in force.

YUGOSLAVIA

Draft comprehensive agreement sent to Yugoslavia.

ZAMBIA

We hope to reach agreement shortly on a Protocol including a Swiss type dividend article and a matching credit provision.



NEGOTIATIONS FOR LIMITED AGREEMENTS: STATE OF PLAY: ~~APRIL~~ <sup>JUNE</sup> 1975

CHINA

We have made proposals to the Chinese for an air profits agreement but this is dependent on conclusion of an air services agreement and this has been held up. The possibility of covering shipping profits has been considered, but the Chinese taxes appear to be unsuitable.

EGYPT

We have replied to the Egyptian counter proposals on our draft agreement covering air transport profits and await their further comments. We are considering the possibility of negotiating a comprehensive agreement.

ETHIOPIA

We are in communication with the Ethiopians about our draft of an air profits agreement, but progress is slow because of their internal situation.

HUNGARY

Limited air transport agreement signed.

SAUDI ARABIA

We are in correspondence with the Saudis about a draft air transport profits agreement sent to them in February last year.

ZAIRE

We have recently heard from FCO, that our draft of a shipping and air profits agreement is now being considered by the Zaire authorities.



*Mr Collins*  
*I mentioned this before*  
*26/8*

A G Davies Esq  
Rio Tinto-Zinc Corporation Ltd  
P O Box 133  
6 St James's Square  
LONDON SW1Y 4LD

22 August 1975

OVERSEAS TAXATION - CBI INFORMAL GROUP

I think it would be valuable to us, at our meeting on 30 September, to discuss the trend of requests from developing countries to revise our double taxation treaties, and I am writing some weeks in advance in order to give you the opportunity to collect your thoughts on this before the meeting.

We are finding that these countries, not unnaturally, want to revise the agreements to give themselves a bigger share of the tax on the profits which are made from trading with and in their territories.

They press hard therefore for various extensions of the definition of permanent establishment, and for the right to tax such payments as management fees, payments for professional advice and so forth. In addition, they sometimes want us to accept modifications of the arm's length rule. For example, we have been asked to accept their right to charge tax on a minimum chargeable amount regardless of whether a profit has been made at all - Ghana for example operates a rule which makes a company liable on at least 2½% of its turnover. Other modifications we have been pressed to accept would restrict the deduction for head office expenses in the case of a branch of a United Kingdom company to a share of the actual expenses of the head office or a specific percentage of the turnover or receipts of the branch. Similarly they sometimes seek to be able to tax profits made from sales, outside the country, of its primary produce or natural resources, which have simply been purchased by the United Kingdom company through, perhaps, a purchasing establishment, or to tax profits made by the United Kingdom company from sales made to buyers in the country under contracts made outside it when the orders are filled from stocks of goods warehoused, even though only for convenience of delivery, in their country.



*Photocopy of Mr. Gurn*  
*I mentioned this before*  
*26/8*

A G Davies Esq  
Rio Tinto-Zinc Corporation Ltd  
P O Box 133  
6 St James's Square  
LONDON SW1Y 4LD

*Mr Collins*

22 August 1975

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They press hard therefore for various extensions of the definition of permanent establishment, and for the right to tax such payments as management fees, payments for professional advice and so forth. In addition, they sometimes want us to accept modifications of the arm's length rule. For example, we have been asked to accept their right to charge tax on a minimum chargeable amount regardless of whether a profit has been made at all - Ghana for example operates a rule which makes a company liable on at least 2½% of its turnover. Other modifications we have been pressed to accept would restrict the deduction for head office expenses in the case of a branch of a United Kingdom company to a share of the actual expenses of the head office or a specific percentage of the turnover or receipts of the branch. Similarly they sometimes seek to be able to tax profits made from sales, outside the country, of its primary produce or natural resources, which have simply been purchased by the United Kingdom company through, perhaps, a purchasing establishment, or to tax profits made by the United Kingdom company from sales made to buyers in the country under contracts made outside it when the orders are filled from stocks of goods warehoused, even though only for convenience of delivery, in their country.



There are other problems too. For example, not only do they seek to get us to give matching credit for their development incentive reliefs, which we have, in general, been prepared to give but they press us to extend it to provide matching credit for reliefs which in some cases go beyond what seems to us to be envisaged in our legislation, such as matching credit for reliefs which are specifically designed to encourage exports (which in some cases may be a sensible form of development for them but is questionably one which we ought to encourage by United Kingdom tax reliefs).

We have some success in persuading them to drop or modify these demands but the pressure continues to mount. We are compelled at times, in order to get a reasonable agreement, to make concessions to meet them - there are often very convincing arguments from their point of view which provide them with considerable justification for what they ask. Sometimes the achievement of agreement on a revised treaty may hang on one or two such points and the question which we may have to resolve in negotiations is whether a treaty which concedes such points is better worth having than no agreement at all. In making this sort of judgment it would be helpful to us to know something of what your informal committee thinks about it.

Mrs A H Smallwood



MEETING WITH THE CONFEDERATION OF BRITISH INDUSTRIES  
30 SEPTEMBER 1975

1. USA

- (a) Revision of the Agreement/State taxes. Discussions were held in London in September about revision of the agreement and a wide measure of agreement was reached. Further talks will be held in Washington at the end of October. The Americans have agreed in principle to put a clause in the Convention dealing with the 'State Taxes' problem and hope to have a draft ready in time for the October talks.
- (b) On-site audits. Mr Collins spoke to Mr Crowe of ICI on 19 September about a request from the IRS to audit in the United Kingdom the books of their North America Ltd subsidiary. As we understand the position, ICI have no particular feelings on the matter but would appreciate Revenue advice as they did not want to prejudice the position of any other company. ICI's position is somewhat different from that of insurance companies in that it is not an audit of the whole head office accounts, merely of a subsidiary which coordinates US and Canadian activities, but the principle involved is the same - the Canadian activities would be exposed to the US. 3

The Revenue understood from McGowan that the OIO were quite insistent on the audit and that a suggestion that the information might be obtained from the US was unlikely to put them off (the US branch does not in fact have the books). Mr Collins told Crowe that it had been hoped that the Revenue's representations on insurance companies would have prevented this sort of insistence but apparently they have not. Mr Collins agreed with Mr Crowe that ICI should not for the time being jump one way or the other but offer to provide the information required. ICI should keep the Revenue in touch with developments while the Revenue considered what line to take. r

2. Progress in other double taxation negotiations since the last meeting.

Canada

We are having discussions this week about revision of the agreement.

Czechoslovakia

A draft Convention has now been sent to the Czechs and we are hoping to have talks in November.

Egypt

We are preparing a draft Convention on OECD lines.



#### Gambia

We have had further talks with the Gambians and the outstanding points in have been taken up in correspondence.

#### India

We are now looking at the possibility of re-opening negotiations.

#### Republic of Ireland

We have written to the CBI mentioning the possibility of talks about a revised agreement and asking for their comments.

#### Iran

It was hoped to hold further talks in September, but they have again been postponed by the Iranians due to their internal tax reform.

#### Kenya

A protocol amending the Agreement signed in 1973 was initialled at talks held in Nairobi during week ended 28 June. Arrangements are now being made for signature of the Protocol.

#### Korea

Talks took place in London at the end of March. A second round of talks will take place in Seoul during the week beginning 13 October.

#### Philippines

Somewhat unexpectedly, full scale talks with the Philippines took place in London early in May. Considerable progress was made and a further round of talks will be held in Manila during October.

#### Poland

Talks about a comprehensive agreement were held in Warsaw at the end of July and a further round of talks will be held in London later this year.

#### Romania

A comprehensive DTC was signed on 18 September in Bucharest. It will be published as a draft SI in due course.

#### Singapore

A protocol amending the dividends article was signed on 21 July and will be published as a draft SI in due course.



### Spain

The text of a comprehensive convention was initialled at talks held in Madrid at the beginning of June. It is hoped that signature will take place in October in London.

### Other countries

A summary of the state of play is attached.

## 3. OECD

### Revision of Draft Double Taxation Convention on Income and Capital

Discussion of the revision of Articles 5 (Permanent Establishment) and 23 (Exemption and credit methods for elimination of double taxation) is continuing.

### CFA WP6 on multinationals

The Special Working Group at its meeting on 20-21 May started its consideration of Royalties.

The Working Party at its meeting on 22 May accepted the Special Working Group's paper on the Treatment of Loans and continued with discussion of measures taken by various countries to combat the use of tax havens.

## 4. EEC

No meetings have been held since the above dates - further meetings are scheduled for mid-October.

### EEC Corporation Tax Harmonisation

The Commission have now submitted a draft directive to the Council.

### Action Programme

The Commission have published an 'Action Programme' for the future, covering the whole field of taxation.

### IV WP/DG XV

The Working Party has continued to discuss a Working Document of provisions for mutual assistance by the competent authorities of Member States in the field of direct taxation.

## 5. Overseas Taxation - CBI Informal Group

Mr Collins will speak if necessary about the Revenue's letter of 22 August.



DOUBLE TAXATION: STATE OF PLAY: SEPTEMBER 1975

ARGENTINA	If we can agree with Brazil, we would approach Argentina.
AUSTRALIA	No recent progress to report on renegotiation.
AUSTRIA	Revision of the dividend article was discussed briefly with the Austrians at OECD WPI in December 1974, and subsequently by correspondence. We are now close to agreement and hope that signature will take place before the end of 1975.
BANGLADESH	Our draft convention handed over to Banglees by our High Commission in Dacca in September 1974. No response as yet despite a recent reminder.
BELGIUM	They have not mentioned revision of the dividend article since inconclusive discussions in 1972. We shall not take the initiative.
BOTSWANA	Talks about a full revision of the agreement took place in London during the Autumn. We have written to Botswana about the outstanding points.
BRAZIL	Several minor points cleared up at informal talks held in Brasilia at the end of October 1974. We are at present considering the outstanding points of principle.
CANADA	Talks on a revised comprehensive DTC are taking place this week.
DENMARK	Extension of revised Dividend article to Faroes has been signed, and a draft SI is expected to be laid before the House of Commons shortly. Talks about revising existing DTA are unlikely to take place this year owing to possible internal reform.
FIJI	A revised comprehensive agreement has been initialled and arrangements are being made for signature.
GAMBIA	We recently had further talks with the Gambians. We have written to Gambia on the outstanding points.
GERMANY	Agreement has been reached at official level on the text of a revised dividends article. The Supplementary Protocol is awaiting signature.
GHANA	We have written to Ghana about the outstanding points.



HUNGARY

A limited air transport agreement on United Kingdom/USSR lines was signed at the beginning of June and a draft S I is in preparation. Hungarians have made tentative suggestions about a comprehensive agreement but no action yet taken by either side.

INDONESIA

The new comprehensive agreement has been approved by Parliament and instruments of ratification have now to be exchanged.

IRAN

A wide measure of agreement on the terms of a comprehensive convention was reached at talks held in Tehran at the beginning of March. Further talks scheduled to begin in Tehran on 27 April were cancelled by the Iranians. It was hoped to arrange for further talks in September but these have also been postponed by the Iranians due to internal tax reform.

ITALY

They have indicated that they wish to discuss revision of the dividends article and possibly other parts of the DTA, but no dates have yet been fixed. In meantime, they have agreed that the present agreement may be regarded as in force. Several cases remain outstanding.

JAPAN

Talks held about revision of dividends article but no agreement reached. We wrote to them about position of investment trusts and await a reply.

KENYA

A Protocol amending the Agreement signed in 1973 was initialled at talks held in Nairobi during the week ended 28 June 1975. Arrangements are being made for signature of the Protocol.

KOREA

A wide measure of agreement was reached at talks about a comprehensive agreement held in London during March. Further talks will take place in Seoul during October.

LUXEMBURG

Negotiations on dividend article will not take place until we have reached agreement with Netherlands.

MOROCCO

FCO is now on balance in favour of a fresh approach to the Moroccans. We have sent a draft convention to the FCO for handing to the Moroccans.

NORWAY

Substantial agreement on revision of the dividends article (Swiss type) has been reached, and arrangements are now being made for signature.



MAURITIUS Talks about a full revision of the existing arrangement took place in London on 28 January and a measure of agreement was reached. The outstanding points are now being considered.

NETHERLANDS Have classical system and oppose our dividends article package re<sup>re</sup>putation system. Presumably they await possible changes in our present system.

NEW ZEALAND No recent progress to report.

PHILIPPINES Considerable progress was made at talks held in London in May. Further talks will be held in Manila in October.

POLAND Talks about a comprehensive DTC were held in Warsaw at the end of July. A further round of talks will be held in London later this year.

ROMANIA A comprehensive DTC was signed in Bucharest on 18 September and will be published as a Schedule to a draft Order in Council in due course.

SAUDI ARABIA

SIERRA LEONE Agreement on revised dividends article reached in principle.

SINGAPORE The text of an amending Protocol was signed on 21 July and will be published as a draft S I in due course.

SPAIN A comprehensive DTC will, we hope, be signed in October in London.

SRI LANKA A further round of talks took place in Colombo during November and we are now considering the outstanding points, eg shipping. We shall be writing to Sri Lanka shortly on those points.

SUDAN New comprehensive agreement on OECD lines was signed in March and will be published as a draft S I in due course.

THAILAND Embassy has handed over our draft convention to the Thais and we await their comments. It is hoped to arrange talks in the near future.

TUNISIA The Tunisians wish to negotiate a comprehensive agreement with us and we sent them a draft DTC in June. We have heard nothing further.



USA

Discussions were held in London during September and a wide measure of agreement was reached on a new DTC. Further talks will be held at the end of October in Washington.

YUGOSLAVIA

Draft comprehensive agreements have been exchanged. We await a response to our draft.

ZAMBIA

We hope to reach agreement shortly on a Protocol including a Swiss type dividend article and a matching credit provision.

*main* CHINA

We have made proposals to the Chinese for an air profits agreement but this is dependent on conclusion of an air services agreement and this has been held up. The possibility of covering shipping profits has been considered, but the Chinese taxes appear to be unsuitable *for inclusion in a DTA.*

EGYPT

We understand that the Egyptians are no longer interested in a limited transport profits agreement. There is the possibility of concluding a comprehensive agreement, however. *We are preparing a draft.*

HUNGARY

A limited air transport agreement has been signed and should be laid shortly.

SAUDI ARABIA

We are in correspondence with the Saudis about a draft air transport profits agreement sent to them in February last year.

ZAIRE

We have recently heard from FCO, that our draft of a shipping and air profits agreement is now being considered by the Zaire authorities.



DIVISION

Notes of a Meeting between representatives of the Confederation  
of British Industry at Somerset House on Tuesday 30 September 1975

Present

CBI

A G Davies  
E B Nortcliffe  
R T Esam  
F N Harvey  
C J Crowe  
P E Moran

Inland Revenue

Mrs A H Smallwood  
M H Collins  
J P B Bryce  
J C Bassett

*M. Bassett*  
*Agreed with*  
*minor*  
*amendment*  
*in p. 2*  
*HHF*  
*8/10*

Mrs Smallwood welcomed the CBI delegation and asked whether there were any matters which the CBI particularly wished to discuss.

1. Brazil The CBI said they would like to discuss the various problems and the prospects of overcoming them. The Revenue said there were several unsatisfactory features, including royalties, interest, head office expenses and matching credit which were causing great difficulty, and would appreciate any comments which the CBI might have. The CBI replied that the general feeling amongst its members was that an agreement was essential but as things stood the price was too high and on that basis it would be inadvisable to have an agreement, especially since unilateral relief was available. They would however like to put the full facts before their taxation Committee (30/35 persons) for discussion and comment, and would accordingly appreciate a detailed account of the limited meeting of 6 August if the Revenue did not think a breach of confidentiality would be incurred. The CBI handed over a copy of their limited note of the position for amplification by the Revenue and said that without the further details they could not expect to get considered opinions from their members. The Revenue agreed to provide a summary of the details but with no comment on their feelings about each outstanding matter, and on the understanding and assurance from the CBI that the detail would be kept confidential. The CBI gave such assurance and thanked the Revenue for their co-operation.

The CBI did suggest that the matching credit problem might be overcome by meeting Brazil half way and giving relief for half the reduction made in the Brazilian withholding tax rates, but the Revenue replied that if that was done it would set an awkward precedent in our negotiations with other developing countries. In any event such credit was at present outside our enabling provisions and the matter would have to go before Ministers for new legislation.

2. The Revenue's letter of 22 August The CBI said they had circulated the letter amongst their members and had received a variety of responses. They had not however had time to collate the various views and would therefore talk fairly generally on the subject. It seemed that the Revenue were raising six points:-

Permanent Establishment The responses in general indicated that the permanent establishment definition could be extended without too much difficulty, perhaps on the lines of the United Nations recommendations, to accommodate some of the more modern means of 'carrying on business' (eg telex operations). The CBI recorded their objection however to



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DIVISION

to the Indonesian agreement wording of 'directly or indirectly' as they foresaw serious problems particularly in the field of insurance. The Revenue asked the CBI whether they could indicate how much importance they attached to the concept of a permanent establishment now that subsidiaries were becoming more popular. The CBI replied that it was still necessary to draw the line somewhere indicating that profits overseas were chargeable/not chargeable, and that in certain instances branches were even flourishing - eg the USA, where a branch could give rise to tax advantages. The permanent establishment article was certainly useful in keeping out the taxation of profits from direct sales.

Management Fees The CBI felt that it would be difficult to resist the other country's claim to tax if the management fees were earned in that country. It appeared however that the basis of taxation was wrong - the overseas revenues seemed to have forgotten the difference between gross receipts and net profits. The Revenue said that the developing countries' principal concern seemed to be that management fees provided a convenient way of salting away profits, and on that basis could understand their desire to tax. However the Revenue had so far resisted the treatment of management fees as pure income and would continue to do so wherever possible. Australia and New Zealand, the agreements with whom the CBI particularly quoted, were the exception rather than the rule and could not be regarded as a working precedent.

Arm's-length rule The CBI registered their strong objection to any amendments on this front since the alternatives were neither logical nor acceptable. To impose tax at 2½ per cent of turnover, regardless of losses or profits, would be invidious. The Revenue noted the CBI's views and said that perhaps the alternatives had been born out of the (to developing countries) excessive time and effort spent in applying the strict arm's-length calculations.

Head Office Expenses The CBI felt the same way about this as about the arms-length rule, and that any limitation should be resisted. Canada apparently operates a cost-only basis. Where cost-sharing arrangements were in force amongst 100 per cent subsidiaries the CBI felt such a basis might be acceptable, but in other cases it would be unreasonable. Service companies were tending to sell their services on a wider scale and any limitation would prejudice their activities.

*mere* Purchasing Establishments The CBI were firmly against allowing tax charges to be imposed on ~~more~~ purchasing establishments. Pakistan apparently imposes such tax and their method of assessing is beyond CBI comprehension. In any event no consideration could be given to whether a profit or loss was made by the United Kingdom company.



DIVISION

Matching Credit The CBI felt there was little point in discussing this matter in view of the well-known complications and were content to have the problem in the hands of the Revenue.

3. Draft Directive on Company Taxation The CBI were concerned that although withholding taxes were not part of the directive as such, they were nevertheless mentioned and were extremely high (25 per cent on dividends, interest, and royalties). They felt that such rates should be completely resisted and asked whether the Board was taking or proposing to take any action in this respect. The Revenue replied that there was a fair amount of support for high withholding tax rates amongst member countries but as far as the United Kingdom was concerned the problem could perhaps be overcome by agreeing lower rates in double taxation agreements. As far as dividends were concerned, withholding taxes were not suited to our imputation system anyway. What were the views of the CBI concerning interest and royalties? The CBI replied that as far as interest was concerned, they simply did not want withholding taxes; as regards royalties, the withholding rate would not be suitable if royalties were to be treated as gross income rather than pure income.

The CBI were also concerned that cash-flow problems could arise in groups of companies since no provisions were included in the directive relating to group income arrangements, and that the right to carry forward the précompte appeared to have been lost. The Revenue replied that these problems served to illustrate that the directive could not cover fine detail and suggest that the CBI make representations on these particular matters. There would be ample time for consideration to be given to the question since it was unlikely that the directive would reach its final form before the end of 1976. The CBI agreed to this proposed course of action.

4. USA - Revision of the Agreement/State taxes The Revenue said that discussions had taken place in September about a revision of the agreement and a wide measure of agreement was reached. It would be inappropriate to say at this stage how all the talks had gone, but the question of State taxes had been brought up. Pending the outcome of this matter it would be as well to continue to have representations. The CBI handed over a further letter of protest. In reply to a question from the CBI, the Revenue said that it was not possible to comment on how far the States would comply with any clause in the convention concerning the taxes.



- DIVISION
- (b) On-site audits. This subject was mentioned at the last meeting in connection with US demands to audit the books of ICI's North America Ltd subsidiary Mr Crowe has replied to the US and will presumably let us know of developments. The CBI undertook to let us know of any further requests for on-site audits. The Revenue felt such requests should be resisted.

2. BRAZIL

The CBI has now given the comments of its Taxation Committee on the Brazilian terms of a Treaty - letter of 12 January attached (flag 'A').

It is virtually certain that we shall have to concede the "excess remittance tax" point to the Brazilians, who always reserve by treaty the right to charge this tax without restriction. But there is no reason to suppose that making this "one concession" would induce the Brazilians to modify any of their other terms. It is also difficult to visualise the shape of a satisfactory limited agreement, but we will consider this possibility.

Mrs Smallwood will presumably deal with the comments about unilateral "matching credit" on page 2 of the CBI's letter.

3.

Further talks have been arranged for the last week in May in Brazil.  
Progress in other double taxation negotiations since the last meeting.

Canada

The text of a revised agreement was initialled at talks held at the end of November, and, will be published as a draft S I in due course.

Czechoslovakia

A draft Convention has now been sent to the Czechs and we are hoping to have talks in November. Despite reminders, the Czechs have not yet responded.

Egypt

A draft comprehensive Convention on OECD lines has now been handed over to the Egyptians. It is hoped that talks will take place shortly.



India

It is hoped that a delegation will be going to Delhi in May for a preliminary round of discussions.

Republic of Ireland

Talks with the Irish were held in London on 15 and 16 December and a measure of agreement was reached on a text which follows OECD lines. Some major points of principle were left outstanding and further talks are now taking place in Dublin [NOTE: There has been no public announcement about the talks.]

Kenya

A Protocol amending the Agreement signed in 1973 was signed in London on 20 January, and will be published as a draft SI in due course.

Korea

A new comprehensive Convention was initialled in October and arrangements will be made for signature.

Philippines

A new comprehensive agreement was initialled in October and arrangements will be made for signature.

Poland

A comprehensive agreement was initialled in December and arrangements will be made for signature.

Spain

A comprehensive convention was signed in October, and will be published as a draft SI shortly. The text has now been published by the Foreign Office as Cmnd Paper 6362.

4. OECD

Revision of Draft Double Taxation Convention on Income and Capital

Discussion of the revision of Articles 5 (Permanent Establishment) and 23 (Exemption and credit methods for elimination of double taxation) is continuing.

CFA WP6 on multinationals

Working Party 6 and its Special Working Group has continued studying transfer pricing problems; Particularly in connection with Rights and Services.

Further meetings are scheduled for February and April.



5. EEC

Corporation Tax Harmonisation

The Commission have submitted a draft directive to the Council.

Action Programme

The Commission have published an 'Action Programme' for the future, covering the whole field of taxation. This has been submitted to the Council.

WP IV DG XV

Working Party IV has continued studying possible mutual assistance provisions to combat tax evasion and avoidance.

6. DOUBLE TAXATION: STATE OF PLAY: 21 JANUARY 1976

ARGENTINA      If we can agree with Brazil, we would approach Argentina.

AUSTRALIA      No recent progress to report on renegotiation.

AUSTRIA      Revision of the dividend article was discussed briefly with the Austrians at OECD WPI in December 1974, and subsequently by correspondence. We are now close to agreement and hope that signature will take place before the end of 1976.

BANGLADESH      Our draft convention handed over to the Banglees by our High Commission in Dacca in September 1974. No response as yet despite a recent reminder.

BELGIUM      They have not mentioned revision of the dividend article since inconclusive discussions in 1972. We shall not take the initiative.

BOTSWANA      Talks about a full revision of the agreement took place in London during the Autumn. We have written to Botswana about the outstanding points, but have heard nothing further as yet.

BRAZIL      Several minor points cleared up at informal talks held in Brasilia at the end of October 1974. It is hoped that further talks will take place at the end of May.

CANADA      A revised comprehensive DTC was initialled at talks in November and will be published as a draft SI in due course.



DENMARK Extension of revised Dividend article to Faroes is now in force and the text has been published as SI 1975 No 2190. Talks about revising the existing DTA may take place this year depending on progress on possible internal reform.

FIJI A revised comprehensive agreement was signed in November and will be published as a draft SI in due course.

GAMBIE We have had further talks with the Gambians, and have written on the outstanding points; we are still awaiting their comments.

GERMANY Agreement has been reached at official level on the text of a revised dividends article, but further talks will take place to discuss the implications of the US agreement when German initial reforms are resolved.

GHANA We have written to Ghana about the outstanding points.

HUNGARY A limited air transport agreement on United Kingdom/USSR lines has now been approved by the House of Commons and published as SI 1975 No 2189. The Hungarians have made tentative suggestions about a comprehensive agreement but no action yet taken by either side.

INDONESIA The new comprehensive agreement is now in force and published as SI 1975 No 2191.

IRAN A wide measure of agreement on the terms of a comprehensive convention was reached at talks held in Tehran in March 1975. However, the Iranians have embarked on a programme of internal tax reform and will not resume discussions until this is complete. We do not know when this will be.



ITALY

They have indicated that they wish to discuss revision of the dividends article and possibly other parts of the DTA, but no dates have yet been fixed. In meantime, they have agreed that the present agreement *extends* ~~in the new Italian tax law introduced in 1975~~ ~~may be regarded as in force~~. Several cases remain outstanding.

JAPAN

Talks held about revision of dividends article but no agreement reached. We wrote to them about position of investment trusts and await a reply.

KENYA

A Protocol amending the Agreement signed in 1973 was signed on 20 January in London.

KOREA

A comprehensive agreement was initialled in October and arrangements will be made for signature.

LUXEMBURG

Negotiations on dividend article will not take place until we have reached agreement with Netherlands.

MOROCCO

FCO is now on balance in favour of a fresh approach to the Moroccans. A draft convention has been sent to the Moroccans and talks may take place in February.

NORWAY

Substantial agreement on revision of the dividends article (Swiss type) has been reached, but certain problems on translation are still being discussed with the Foreign Office.

MAURITIUS

Talks about a full revision of the existing arrangement took place in London last January and a measure of agreement was reached. The outstanding points are now being considered.

NETHERLANDS

Further talks have now been arranged for February.

NEW ZEALAND No recent progress to report.

PHILLIPPINES A new comprehensive agreement was initialled in October and arrangements will be made for signature.

MALAYSIA

Several minor amendments to the text of the current DTA were agreed at talks held in London last summer. We had expected to complete the discussions in Kuala Lumpur last October but the Malaysians could not see us at that time. We shall be in touch with the Malaysians shortly about the open points



POLAND	A comprehensive DTC was initialled in December. Arrangements are being made for signature.
ROMANIA	A comprehensive DTC was signed in Bucharest on 18 September and will be published as a Schedule to a draft Order in Council in due course. The text has now been published by the Foreign Office as Cmnd Paper 6269.
SIERRA LEONE	Agreement on revised dividends article reached in principle.
SINGAPORE	The text of an amending Protocol was signed on 21 July and will be published as a draft SI in due course.
SPAIN	A comprehensive DTC was signed in October in London, and will be published as a draft SI shortly.
SRI LANKA	A further round of talks will take place in Colombo during February.
SUDAN	New comprehensive agreement on OECD lines was signed in March and will be published as a draft SI in due course.
THAILAND	Embassy has handed over our draft convention to the Thais. There is a possibility of talks in the early summer.
TUNISIA	The Tunisians wish to negotiate a comprehensive agreement with us and we sent them a draft DTC in June. We have heard nothing further.
USA	A revised comprehensive agreement was signed on 31 December and will be published as a draft SI in due course.
YUGOSLAVIA	Draft comprehensive agreements have been exchanged. Talks are due to begin in London in the week beginning 26 January.
ZAMBIA	We hope to reach agreement shortly on a Protocol including a Swiss type dividend article and a matching credit provision.



## LIMITED AGREEMENTS

### CHINA

We have suggested that the Chinese shipping taxes should be covered in a maritime rather than double taxation agreement.

### SAUDI ARABIA

We are in correspondence with the Saudis about a draft air transport profits agreement and have recently sent them a revised draft.

### ZAIRE

Our draft of a shipping and air profits agreement is still being considered by the Zaire authorities.



DIVISION

State of Play on Countries - September 1976

ARGENTINA	If we can agree with Brazil, we would approach Argentina.
AUSTRALIA	No recent progress to report on renegotiation.
AUSTRIA	Revision of the dividend article was discussed briefly with the Austrians at OECD WPI in December 1974, and subsequently by correspondence. We are now close to agreement and hope that signature will take place before the end of 1976.
BANGLADESH	Our draft convention handed over to Bangalees by our High Commission in Dacca in September 1974. The Bangalees have recently indicated that they would be interested in negotiations with us, and talks are expected to take place later this year.
BELGIUM	They have not mentioned revision of the dividend article since inconclusive discussions in 1972. We shall not take the initiative.
BOTSWANA	Talks about a full revision of the agreement took place in London during the Autumn of 1974. We are corresponding about the outstanding points.
BRAZIL	A further round of talks took place in Brasilia during May. We will be meeting again later this year.
CANADA	A revised comprehensive DTC was initialled in November and will be published as a draft SI in due course.
CZECHOSLAVAKIA	A draft Convention has been sent to the Czechs but no date for talks has been arranged.
DENMARK	Extension of revised Dividend article to the Faroes is now in force. Talks about revising existing DTA are unlikely to take place this year owing to possible internal reform.
*EGYPT	We have now initialled a Convention on OECD lines, and arrangements will be made for signature.
*FIJI	A revised comprehensive agreement has been published as a Statutory Instrument (No 1342 of 1976).



THE GAMBIA

We have had further talks with the Gambians and have written on the outstanding points.

GERMANY

Agreement has been reached at official level on the text of a revised dividends article, but further talks will take place to discuss the implications of the US agreement when German initial reforms are resolved.

GHANA

We had talks with Ghana last week about the outstanding points and agreement was reached on all points of principle. One or two very minor matters remain to be settled by correspondence before initialling.

HUNGARY

A limited air transport agreement on United Kingdom/USSR lines is now in force. It is hoped to arrange talks for a comprehensive agreement in the near future.

\*INDIA

A first round of talks was held in London in the week commencing 5 July. Further discussions will take place in Delhi in November.

INDONESIA

The new comprehensive agreement is now in force (SI 1975 No 2191).

IRAN

One round of talks has taken place, but discussions cannot be resumed until the Iranians have completed their internal tax reforms.

ITALY

They have indicated that they wish to discuss revision of the dividends article and possibly other parts of the DTA, but no dates have yet been fixed. In the meantime, they have agreed that the present agreement extends to the new Italian taxes introduced in 1975. Several cases remain outstanding.

JAPAN

Talks held about revision of dividends article but no agreement reached. We wrote to them about position of investment trusts and await a reply.

\*KENYA

A Protocol amending the Agreement signed in 1973 was signed in January. The Agreement and Protocol will be published as a Draft SI in due course.

KOREA

A comprehensive agreement was initialled in Seoul last October, and arrangements will be made for signature as soon as minor amendments have been effected.



LUXEMBURG

Negotiations on dividend article will not take place before the Netherlands Protocol is in force.

MALAYSIA

Several minor amendments to the text of the current DTA were agreed at talks held in London last summer. We had expected to complete the discussions in Kuala Lumpur last October but the Malaysians could not see us at that time. We shall be in touch with the Malaysians shortly about the open points.

MAURITIUS

Talks about a full revision of the existing arrangement took place in London in January 1975 and a measure of agreement was reached. The outstanding points are still being considered.

MEXICO

Nothing to report.

\*MOROCCO

A comprehensive DTC was initialled on 23 July and arrangements are being made for signature.

NETHERLANDS

A Protocol amending the dividends and interest articles was initialled at talks held in London during February.

NEW ZEALAND

No recent progress to report.

NORWAY

Agreement on revision of the dividends article and some other Articles has been reached and arrangements will be made for signature.

PHILIPPINES

A comprehensive DTC was signed in June and will be published as a draft SI in due course.

POLAND

A comprehensive DTC was initialled in December and arrangements are being made for signature.

\*REPUBLIC OF IRELAND

The new Convention has now been published as a draft SI and laid before Parliament.

\*ROMANIA

The DTC has been approved by the House and is awaiting exchange of instruments of ratification.

SIERRA LEONE

Agreement on revised dividends article reached in principle.

SINGAPORE

The text of an amending Protocol was signed on 21 July 1975 and has been published by the FCO.

\*SPAIN

The DTC has been approved by the House and is awaiting exchange of instruments of ratification.



SRI LANKA

The text of a new comprehensive DTC has been initialled and arrangements for signature will be made.

\*SUDAN

The agreement has been approved by the House and is awaiting exchange of instruments of ratification.

SWITZERLAND

A Protocol amending the dividends article was initialled at talks held in March. Arrangements are being made for signature.

\*THAILAND

Talks took place this month and a further round will be held in October.

TUNISIA

The Tunisians wish to negotiate a comprehensive agreement with us and we sent them a draft DTC in June last year. We have heard nothing further.

USA

The new comprehensive DTC has been published as a draft SI. A Protocol was signed on 26 August, and the revised treaty will be considered by Parliament after the summer recess.

YUGOSLAVIA

A comprehensive DTC was initialled in March, and arrangements will be made for signature.

ZAMBIA

We hope to reach agreement shortly on a Protocol including a Swiss type dividend article and a matching credit provision.

#### LIMITED AGREEMENTS

CHINA

The Department of Trade are including a suitable article on the taxation of shipping profits in a maritime agreement.

ETHIOPIA

An air transport agreement will be made shortly.

SAUDI ARABIA

We are in correspondence with the Saudis about a draft air transport profits agreement and are considering the possibility of a comprehensive agreement.

ZAIRE

We have recently sent a revised draft of a shipping and air transport agreement to Zaire.

VENEZUELA

We have recently sent a draft of a limited agreement covering shipping and air transport.

#### OECD - Revision of Draft DT Convention on Income and Capital

Discussions of the revision of Article 5 (Permanent Establishment) and 23 (Exemption and Credit methods of Elimination of Double Taxation) have been completed. The full draft DT Convention should be before CFA in January next.



STATE OF PLAY ON COUNTRIES - AT 12 JUNE 1978

There have been several developments since our last report to the C&I  
These are indicated by asterisks.

ARGENTINA

The London Chamber of Commerce visited Buenos Aires in April. Talks were scheduled to be held with the Argentina Chamber of Commerce with a view to the latter approaching the Argentine authorities requesting them to enter into negotiations with the UK about a DTA. We have not yet heard anything further.

AUSTRALIA

We saw the Australians in June 1977 on renegotiation of the Dividends Article. A few details remain to be resolved through correspondence.

\* AUSTRIA

The text of the Protocol amending the Dividends Article has been approved by Parliament and arrangements are being made for ratification.

BANGLADESH

A second round of talks was held in London in July at the end of which the text of a comprehensive DTA was initialled. Arrangements are at present being made for signature.

BELGIUM

A second round of talks was held in Brussels from 7-9 February but a few points remain outstanding in particular the Dividends Article.

\* BOTSWANA

The new Agreement is now in force and applies in the UK from April 1976.

BRAZIL

Brazil has recently let us have a full reply on the points which remained outstanding following the talks held in London in January 1977. Ministers are now considering whether we can accept Brazil's terms.

CANADA

Arrangements are being made for signature of the revised comprehensive Convention.

CZECHOSLOVAKIA

A first round of talks was held in October 1977 on a comprehensive DTC. A wide measure of agreement was reached and it is hoped to initial later this month.

*subject to last minute revision  
- UK team due back on 12/6*

COLOMBIA

At recent talks in London with the Department of Trade about an Air Services Agreement, the Colombian representatives enquired about the possibility of concluding a DTA. We told them we were keen to conclude an Agreement and a draft limited Agreement (covering air transport and shipping operations) was handed over. The Colombians undertook to pass this to colleagues in the Finance Ministry.



DENMARK

EGYPT

FINLAND

\* THE GAMBIA  
*which is now being  
submitted for the  
approval of Ministers.*

FEDERAL REPUBLIC  
OF GERMANY

\* GHANA

GREECE

\* HUNGARY

\* INDIA

IRAN

ISRAEL

ITALY

\* IVORY COAST

A second round of talks was held in London during the week commencing 21 November but a few points remain outstanding, in particular the Dividends Article.

An OECD type Convention was signed on 25 April 1977

A Protocol revising the Dividends Article was initialled on 9 December. Arrangements are being made for signature.

We have recently initialled a revised comprehensive DTA. ~~Ministers have approved the terms of the proposed treaty and the FCO have been asked to make arrangements for signature.~~

Talks will take place to discuss the implications of the US type agreement and of the new German Corporation Tax.

The text of the new Agreement was approved by Parliament on 9 May and ~~was scheduled to be presented to the Privy Council for approval yesterday.~~ *an Order in Council was made*

*and the agreement entered into force on 31 May.*  
We have proposed talks on a revised comprehensive DTC.

The text of a comprehensive Convention has been approved by Parliament and arrangements are being made for notification.

*A comprehensive Convention was initialled*  
~~A further round of talks was held in London on 30 May 1978.~~

One round of talks has taken place, but discussions cannot be resumed until the Iranians have completed their internal tax reforms. We are trying to ascertain whether these reforms have yet been completed.

Israel has expressed interest in our offer to revise the Dividend Article to take account of our imputation system.

A revised comprehensive Convention was initialled in April 1977.

A French translation of our draft has recently been completed and passed to the FCO to hand over to the Ivoreans with the English language version.



JAPAN

Talks on the revision of the Dividends Article have been postponed until circa 1978 because of Japanese tax reforms.

KENYA

The Agreement and Protocol entered into force on 30 September 1977 and apply in the United Kingdom with effect from April 1976.

KOREA

The comprehensive Convention was ratified on 12 April and will enter into force on 13 May. However it is scheduled to be presented to the Privy Council on 31 May. *An order in Council was made on 31 May.*

LIBYA

We have been asked by DOT on behalf of British Caledonian to negotiate an agreement. We have approached the FCO for a limited agreement. The FCO have been in touch with Libya and we are awaiting Libya's response.

A Protocol was initialled on 31 May 1977.

LUXEMBOURG

A Supplementary Agreement amending the Dividends and Teachers' Articles in the existing Agreement was signed in Lilongwe on 10 February 1978. The text ~~then~~ should be published soon.

MALAWI

Several minor amendments to the text of the current DTA were provisionally agreed at talks held in 1975. Further talks were held in July 1977 and the Malaysians should be writing to us.

MALAYSIA

Talks about a full revision of the existing arrangement took place in London in January 1975 and a measure of agreement was reached. We hope we may be able to resume negotiations soon.

MAURITIUS

The Embassy in Mexico City has informed the Mexican Finance Ministry that we would like to commence negotiations about a comprehensive DTA. We are awaiting Mexico's response.

MEXICO

A comprehensive DTA was initialled on 23 July 1976. One or two minor matters are still being clarified.

MOROCCO

A Protocol amending the Dividends and Interest Articles was approved by Parliament on 19 July and entered into force on 14 October 1977.

NETHERLANDS

~~We have proposed to hold Talks~~ *are to be held in July* ~~in June~~ about a revised dividend article.

NEW ZEALAND



NORWAY

Agreement on revision of the Dividends Article and some other Articles has been reached and an amending Protocol was signed on 23 June. An Exchange of Notes clarifying the text was made on 5 May and the Protocol will be published shortly. A Protocol in connection with the taxation of income from North Sea activities was laid before Parliament on 20 April.

PHILIPPINES

A comprehensive DTC went through Parliament in 1976. Instruments of ratification were exchanged in the Philippines in December 1977 and an Order in Council was made on 9 February. The Convention entered into force on 23 January 1978 and applies in the UK from April 1977.

REPUBLIC OF IRELAND

The new Convention and the Protocol to it are now in force (23 December 1976).

SAUDI ARABIA

A draft comprehensive Convention has been passed to the Saudis.

SIERRA LEONE

We are currently corresponding about a Protocol which would incorporate a revised Dividend Article and matching credit provisions for tax given up by Sierra Leone under certain incentive legislation

\* SINGAPORE

*This will be the date of entry into force if, as we believe, Singapore's legislative processes have already been completed. But we are seeking confirmation on this.*

The Protocol has been approved by Parliament and is scheduled to be presented to the Privy Council on 31 May. *an order in Council was made on 31 May.*

\* SRI LANKA

The text of a new comprehensive DTA has been initialled but a few minor amendments are being discussed.

SUDAN

The Agreement entered into force on 7 October 1977 and applies in the United Kingdom with effect from 1975.

Talks were held in March on the revision of the Dividends Article. Talks about a new comprehensive DTA are to be held in June.

A revised comprehensive Convention has been approved by Parliament and arrangements are being made for the exchange of instruments of ratification.

\* SWEDEN

\* SWITZERLAND



TANZANIA

A second round of talks about a new comprehensive DTA to replace the existing Arrangements with Tanganyika and Zanzibar was held in May. The Tanzanians are considering our proposals at present.

THAILAND

A comprehensive Convention was intialled in October 1976 and arrangements are being made for signature.

NB:

A recent change in Thailand's matching credit legislation will require a slight alteration in the Credit Article. We have written to the Thais on this and have recently received a reply which we are considering at present.

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TUNISIA

A first round of discussions took place in November 1976. A second round was held in the week beginning 31 October. Substantial progress was made and it is hoped to hold a third round later this year.

TURKEY

We have proposed talks on a comprehensive Convention.

\*USA

The new comprehensive Convention and both Protocols have been approved by Parliament. The US Senate Foreign Relations Committee have approved the treaty but the Senate floor have yet to give their verdict. *it is hoped that this will be forthcoming later this month.*

YUGOSLAVIA

A comprehensive Convention was initialled in March 1976, but it has not yet been signed. The Yugoslavs have proposed various amendments which we hope to resolve in a few months.

ZAMBIA

We hope to reach agreement on a Protocol including a Swiss type Dividend Article and a matching credit provision, but have had little response for some time from the Zambians.

LIMITED AGREEMENTS

CHINA

The Department of Trade are including a suitable article on the taxation of shipping profits in a maritime agreement.

ETHIOPIA

An Order in Council was made on 19 July 1977. The Agreement will enter into force when we hear that Ethiopia's legislative processes have been completed. Our Embassy in Addis Ababa informed us recently that Ethiopia is making progress on this.



ZAIRE

VENEZUELA

JORDAN

ALGERIA

\*KUWAIT

An Order in Council was made on 19 July 1977 and the Agreement has now entered into force.

A limited Agreement (relating to shipping and air transport profits) was signed in Caracas on 8 March 1978.

We have submitted a draft air transport and shipping agreement which has been agreed in principle by the Jordanians.

Discussions are in progress about a limited agreement covering air transport profits.

We have been approached by Kuwait Airlines to conclude an air transport and shipping agreement.



STATE OF PLAY ON COUNTRIES - AT 9 APRIL 1979

Developments since the last meeting are denoted by asterisks.

ARGENTINA

We briefed a London Chamber of Commerce delegation to raise the topic of talks on a comprehensive Convention during their visit to Argentina in April. We have since heard nothing from them but our Embassy reports that Germany has signed a relatively OECD Convention and that Italy and France are negotiating with the Argentines. We are taking the matter up with the Embassy again.

AUSTRALIA

We saw the Australians in June 1977 on renegotiation of the Dividends Article. We are trying to confirm matters by correspondence but so far without response. (Perhaps Australia is occupied with its tax reforms.)

\*AUSTRIA

A Protocol amending the Dividends Article came into force on 30 December 1978.

BANGLADESH

A second round of talks was held in London in July 1977 at the end of which the text of a comprehensive DTA was initialled. Arrangements are at present being made for signature.

BELGIUM

A second round of talks was held in Brussels from 7-9 February but a few points remain outstanding in particular the Dividends Article.

BOTSWANA

The new Agreement is now in force and applies in the UK from April 1976.

\*BRAZIL

We have been unable to accept the terms offered by the Brazilians and with Ministerial approval we have now told them this.

\*CANADA

A revised comprehensive Convention has been approved by Parliament, and awaits approval by the Privy Council.

CZECHOSLOVAKIA

Two rounds of talks have been held on a comprehensive DTC. A measure of agreement has been reached and it is hoped to continue the negotiations later in 1979.



COLOMBIA

At talks in London earlier this year with the Department of Trade about an Air Services Agreement, the Colombian representatives enquired about the possibility of concluding a DTA. We told them we were keen to conclude an Agreement and a draft limited Agreement (covering air transport and shipping operations) was handed over. The Colombians undertook to pass this to colleagues in the Finance Ministry.

CYPRUS

A Protocol amending the 1975 Convention has been initialled and will be referred to the respective Governments for approval. Arrangements are being made for signature.

DENMARK

A revised comprehensive Convention was initialled in July 1978. Arrangements are being made for signature. There have been discussions about a Protocol to deal with the taxation of offshore oil-related activities.

EGYPT

An OECD type Convention was signed on 25 April 1977.

FINLAND

A Protocol revising the Dividends Article was initialled on 9 December 1977. Arrangements are being made for signature.

\*FRANCE

A Protocol dealing with the taxation of offshore oil-related activities has been initialled, but further discussion is needed before proceeding to signature.

THE GAMBIA

A revised comprehensive DTA has been approved by Ministers and arrangements are being made for signature.

FEDERAL REPUBLIC  
OF GERMANY

Talks will take place to discuss the implications of the US type agreement and of the new German Corporation Tax.

GHANA

The text of the new Agreement was approved by Parliament on 9 May and an Order in Council was made and the agreement entered into force on 31 May 1978.

\*GREECE

We proposed talks on a revised comprehensive DTA but the Greek response so far has been rather negative.

GUERNSEY JERSEY  
AND ISLE OF MAN

Exploratory talks about the possibility of revising the existing double taxation arrangements were held with Islands representatives on 25 July 1978 and 1 February 1978.



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A comprehensive Convention was initialled in London on 30 May 1978. Some hopefully minor points are being cleared up by correspondence.

One round of talks has taken place, but discussions cannot be resumed until the Iranians have completed their internal tax reforms. In any case, recent events have effectively ended these negotiations.

See Guernsey.

Israel has expressed interest in our offer to revise the Dividends Article to take account of our imputation system.

A revised comprehensive Convention was initialled in April 1977. However, the Italians have since introduced an Imputation System and it will now be necessary to reconsider the Dividends Article before proceeding; discussions are to take place in late June.

A first round of talks about a comprehensive DTC took place in Abidjan in February 1979. It is hoped to hold further talks later this year.

Preliminary talks have been held with a view to opening negotiations later this year for a revision of the Double Taxation Convention.

See Guernsey.

The Agreement and Protocol have been in force for over a year now.

We have been asked by DOT on behalf of British Caledonian to negotiate an Agreement. A draft limited Agreement covering both shipping and air transport was sent to the Libyans although it now seems likely that only air transport profits may be covered.

A Protocol amending the Dividends Article was signed in London on 18 July 1978.

A Supplementary Agreement amending the Dividends and Teachers' Articles in the existing Agreement has been approved by Parliament and an Order in Council made. It is not yet in force.

INDIA

IRAN

ISLE OF MAN:

ISRAEL

\*ITALY

\*IVORY COAST

\*JAPAN

JERSEY:

KENYA

\*LIBYA

LUXEMBOURG

\*MALAWI



MALAYSIA

Several minor amendments to the text of the current DTA were provisionally agreed at talks held in 1975. Further talks were held in July 1977 and the Malaysians should be writing to us.

MAURITIUS

Talks about a full revision of the existing arrangement took place in London in January 1975 and a measure of agreement was reached. We hope we may be able to resume negotiations soon.

MEXICO

The Embassy in Mexico City has informed the Mexican Finance Ministry that we would like to commence negotiations about a comprehensive DTA. But Mexico has no comprehensive Agreements - she is fearful she will have to concede one to the USA if she starts with others - (and the Mexican Embassy has tactfully intimated that we cannot expect early progress).

MOROCCO

A comprehensive DTA initialled on 23 July 1976. One or two minor matters are still being clarified.

\*NETHERLANDS

A Protocol amending the Dividends and Interest Articles was approved by Parliament on 19 July and entered into force on 14 October 1977. A Protocol to deal with the taxation of off-shore oil-related activities has been agreed in principle. Discussions are to take place at the end of May about a revised comprehensive Agreement.

NEW ZEALAND

A Protocol amending the Dividends Article was initialled in July.

\*NIGERIA

Following the notice of termination by Nigeria last year of the 1947 DT Arrangement negotiations for a new comprehensive Agreement took place in Lagos in January 1979. Substantial progress was made during the talks. A further round is due to commence on 18 April.

\*NORWAY

Agreement on revision of the Dividends Article and some other Articles has been reached and an amending Protocol was signed on 23 June 1977. An Exchange of Notes clarifying the text was made on 5 May 1978 and the Protocol has been approved by Parliament. A Protocol in connection with the taxation of income from North Sea activities is now in force. A further Protocol dealing with the taxation of transmedian oil fields (ie those fields which straddle the line dividing the Continental Shelf between the UK and Norway) has been initialled.



PHILIPPINES

REPUBLIC OF IRELAND

SAUDI ARABIA

SIERRA LEONE

SRI LANKA

SUDAN

SWEDEN

SWITZERLAND

TANZANIA

THAILAND

The Convention has been in force for a year now.

The new Convention and the Protocol to it are now in force (23 December 1976).

A draft comprehensive Convention and a limited air transport one have been passed to the Saudis.

We are awaiting replies to correspondence about a Protocol which would incorporate a revised Dividend Article and matching credit provisions for tax given up by Sierra Leone under certain incentive legislation.

Arrangements for signature of the new Convention are being made.

The Agreement entered into force on 7 October 1977 and applies in the UK with effect from 1975.

We have initialled a revised comprehensive DTA. The Protocol to amend the Dividends Article which was initialled last March is being prepared for signature. There have been discussions about a Protocol to deal with the taxation of offshore oil-related activities.

The revised comprehensive Convention entered into force on 7 October and takes effect in the UK from 1978.

A second round of talks about a new comprehensive DTA to replace the existing Arrangements with Tanganyika and Zanzibar was held in May<sup>1978</sup>. We left them to think about a new Agreement package but Tanzania submitted notice of termination of the present agreement in August<sup>1978</sup>. It should not cease to be effective in Tanzania until 1 January 1980. We are trying to confirm this with them and obtain a considered response to our proposals.

A comprehensive Convention was initialled in October 1976 and arrangements are being made for signature.

NB: A recent change in Thailand's matching credit legislation will require a slight alteration in the Credit Article. We are corresponding with the Thais on this.



TUNISIA

A first round of discussions took place in November 1976. A second round was held in the week beginning 31 October 1977. Substantial progress was made and it is hoped to hold a third round in the not too distant future.

We have proposed talks on a comprehensive Convention.

TURKEY

The Third Protocol has now been published. It will go first to the US Senate for approval, and then to the House of Commons.

\*USA

A comprehensive Convention was initialled in March 1976, but it has not yet been signed. A UK team met Yugoslav officials in Belgrade in December to discuss various amendments which the Yugoslavs had proposed but the position concerning a few Articles remains open.

YUGOSLAVIA

We aim to reach agreement on a Protocol including a Swiss type Dividend Article and a matching credit provision and hope to have affirmative response from the Zambians in the not too distant future.

ZAMBIA

#### LIMITED AGREEMENTS

CHINA

The Department of Trade are including a suitable article on the taxation of shipping profits in a maritime agreement.

ETHIOPIA

The Agreement covering Air Transport Profits only entered into force on 12 July 1978.

ZAIRE

An Order in Council was made on 19 July 1977 and the Agreement has been in force for a year or so.

\*VENEZUELA

A limited Agreement (relating to shipping and air transport profits) has been approved by Parliament and an Order in Council has been made. It is not yet in force.

\*JORDAN

An Order in Council was made on 14 March and the Agreement will be entering into force shortly.

ALGERIA

Discussions are in progress via the UK Embassy about a limited Agreement covering air transport profits. There is some difficulty in obtaining a consistent and speedy response from the Algerians.

KUWAIT

We have been approach by Kuwait Airlines to conclude an air transport and shipping agreement and a draft has been submitted.

LIBYA

See under comprehensive Agreements.



STATE OF PLAY ON COUNTRIES - AT 9 JULY 1979

developments since the last meeting are denoted by asterisks.

ARGENTINA

We briefed a London Chamber of Commerce delegation to raise the topic of talks on a comprehensive Convention during their visit to Argentina in April. We have since heard nothing from them but our Embassy reports that Germany has signed a relatively OECD Convention and that Italy and France are negotiating with the Argentines. We are taking the matter up with the Embassy again.

AUSTRALIA

\* Talks on revising the Dividends article were held in July 1977, and arrangements for initialling a protocol are now in hand.

~~We saw the Australians in June 1977 on renegotiation of the Dividends Article. We are trying to confirm matters by correspondence but so far without response. (Perhaps Australia is occupied with its tax reforms.)~~

AUSTRIA

A Protocol amending the Dividends Article came into force on 30 December 1978.

BANGLADESH

A second round of talks was held in London in July 1977 at the end of which the text of a comprehensive DTA was initialled. Arrangements are at present being made for signature.

BELGIUM

A second round of talks was held in Brussels from 7-9 February but a few points remain outstanding in particular the Dividends Article.

BOTSWANA

The new Agreement is now in force and applies in the UK from April 1976.

BRAZIL

We have been unable to accept the terms offered by the Brazilians and with Ministerial approval we have now told them this.

CANADA

Approval by the Canadian Parliament has been held up by the Canadian General Election on May 22. Discussions have started on a protocol to deal with offshore oil related activities.

A revised comprehensive Convention has been approved by Parliament, ~~and awaits approval by the Privy Council.~~

CZECHOSLOVAKIA

Two rounds of talks have been held on a comprehensive DTC. A measure of agreement has been reached and it is hoped to continue the negotiations later in 1979.



STATE OF PLAY ON COUNTRIES - AT 9 JULY 1979

developments since the last meeting are denoted by asterisks.

ARGENTINA

We briefed a London Chamber of Commerce delegation to raise the topic of talks on a comprehensive Convention during their visit to Argentina in April. We have since heard nothing from them but our Embassy reports that Germany has signed a relatively OECD Convention and that Italy and France are negotiating with the Argentines. We are taking the matter up with the Embassy again.

\* AUSTRALIA

Talks on revising the Dividends article were held in July 1977, and arrangements for initialing a protocol are now in hand.

We saw the Australians in June 1977 on renegotiation of the Dividends Article. We are trying to confirm matters by correspondence but so far without response. (Perhaps Australia is occupied with its tax reforms.)

AUSTRIA

A Protocol amending the Dividends Article came into force on 30 December 1978.

BANGLADESH

A second round of talks was held in London in July 1977 at the end of which the text of a comprehensive DTA was initialled. Arrangements are at present being made for signature.

BELGIUM

A second round of talks was held in Brussels from 7-9 February but a few points remain outstanding in particular the Dividends Article.

BOTSWANA

The new Agreement is now in force and applies in the UK from April 1976.

BRAZIL

We have been unable to accept the terms offered by the Brazilians and with Ministerial approval we have now told them this.

\* CANADA

Approval by the Canadian Parliament has been held up by the Canadian General Election on May 22. Discussions have started on a protocol to deal with offshore oil related activities.

A revised comprehensive Convention has been approved by Parliament, and awaits approval by the Privy Council.

CZECHOSLOVAKIA

Two rounds of talks have been held on a comprehensive DTC. A measure of agreement has been reached and it is hoped to continue the negotiations later in 1979.



COLOMBIA

At talks in London earlier this year with the Department of Trade about an Air Services Agreement, the Colombian representatives enquired about the possibility of concluding a DTA. We told them we were keen to conclude an Agreement and a draft limited Agreement (covering air transport and shipping operations) was handed over. The Colombians undertook to pass this to colleagues in the Finance Ministry.

CYPRUS

A Protocol amending the 1975 Convention has been initialled and

DENMARK

Arrangements are being made for signature.

A revised comprehensive Convention was initialled in July 1978. Arrangements are being made for signature. There have been discussions about a Protocol to deal with the taxation of offshore oil-related activities.

EGYPT

An OECD type Convention was signed on 25 April 1977.

\* FINLAND

A Protocol revising the Dividends Article was initialled on 9 December 1977. Arrangements are being made for signature. There have been discussions about a protocol to deal with the taxation of offshore oil-related activities.

FRANCE

\* A Protocol dealing with the taxation of offshore oil-related activities has been initialled, but further discussion is needed before proceeding to signature.

THE GAMBIA

A revised comprehensive DTA has been approved by Ministers and arrangements are being made for signature.

FEDERAL REPUBLIC OF GERMANY

Talks will take place to discuss the implications of the US type agreement and of the new German Corporation Tax.

GHANA

The text of the new Agreement was approved by Parliament on 9 May and an Order in Council was made and the agreement entered into force on 31 May 1978.

GREECE

We proposed talks on a revised comprehensive DTA but the Greek response so far has been rather negative.

GUERNSEY JERSEY AND ISLE OF MAN

Exploratory talks about the possibility of revising the existing double taxation arrangements were held with Islands representatives on 25 July 1978 and 1 February 1978.



INDIA

A comprehensive Convention was initialled in London on 30 May 1978. Some hopefully minor points are being cleared up by correspondence.

IRAN

One round of talks has taken place, but discussions cannot be resumed until the Iranians have completed their internal tax reforms. In any case, recent events have effectively ended these negotiations.

ISLE OF MAN:

See Guernsey.

ISRAEL

Israel has expressed interest in our offer to revise the Dividends Article to take account of our imputation system.

ITALY

*(necessitating revision of the Dividends and other articles. These amendments were agreed during talks held in the week beginning 25 June.)*

A revised comprehensive Convention was initialled in April 1977. However, the Italians have since introduced an Imputation System and it will now be necessary to reconsider the Dividends Article before proceeding; discussions are to take place in late June.

IVORY COAST

A first round of talks about a comprehensive DTC took place in Abidjan in February 1979. It is hoped to hold further talks later this year.

JAPAN

Preliminary talks have been held with a view to opening negotiations later this year for OPA a revision of the Double Taxation Convention

JERSEY:

See Guernsey.

KENYA

The Agreement and Protocol have been in force for over a year now.

LIBYA

We have been asked by DOT on behalf of British Caledonian to negotiate an Agreement. A draft limited Agreement covering both shipping and air transport was sent to the Libyans although it now seems likely that only air transport profits may be covered.

LUXEMBOURG

A Protocol amending the Dividends Article was signed in London on 18 July 1978.

MALAWI

A Supplementary Agreement amending the Dividends and Teachers' Articles in the existing Agreement has been approved by Parliament and an Order in Council made. It is not yet in force.



MALAYSIA

Several minor amendments to the text of the current DTA were provisionally agreed at talks held in 1975. Further talks were held in July 1977 and the Malaysians should be writing to us.

MAURITIUS

Talks about a full revision of the existing arrangement took place in London in January 1975 and a measure of agreement was reached. We hope we may be able to resume negotiations soon.

MEXICO

The Embassy in Mexico City has informed the Mexican Finance Ministry that we would like to commence negotiations about a comprehensive DTA. But Mexico has no comprehensive Agreements - she is fearful she will have to concede one to the USA if she starts with others - (and the Mexican Embassy has tactfully intimated that we cannot expect early progress).

MOROCCO

A comprehensive DTA initialled on 23 July 1976. One or two minor matters are still being clarified.

\* NETHERLANDS

A Protocol amending the Dividends and Interest Articles was approved by Parliament on 19 July and entered into force on 14 October 1977. A Protocol to deal with the taxation of off-shore oil-related activities has been agreed in principle. Discussions are to take place at the end of May about a revised comprehensive Agreement. <sup>with a view to revision of the existing Comprehensive Convention. Negotiations will be resumed at an early date in the Hague.</sup> A Protocol amending the Dividends Article was initialled in July.

NEW ZEALAND

\* NIGERIA

On 3 July we explained the position fully during a special meeting with CBI representatives.

Nigeria terminated our 1947 DTA last year. We met the Nigerian for talks about a new comprehensive convention in January, April and June 1979 but some matters are still causing difficulty, notably management consultancy fees. The Nigerians are to put some of our proposals to their Government. If these are turned down we will seek to conclude a limited air/shipping agreement before next April. The Nigerians have assured us that they will continue the air/shipping exemption provided by our previous agreement in the meantime.

\* NORWAY

Agreement on revision of the Dividends Article and some other Articles has been reached and an amending Protocol was signed on 23 June 1977. An Exchange of Notes clarifying the text was made on 5 May 1978 and the Protocol has been approved by Parliament. A Protocol in connection with the taxation of income from North Sea activities is now in force. <sup>Two</sup> further Protocols dealing with the taxation of transmedian oil fields (ie those fields which straddle the line dividing the Continental Shelf between the UK and Norway) have been initialled.



PHILIPPINES

REPUBLIC OF IRELAND

SAUDI ARABIA

SIERRA LEONE

SRI LANKA. The new Convention was signed in London on 21 June and will be published in due course as a schedule to a draft Order in Council.

SUDAN

SWEDEN

SWITZERLAND

TANZANIA

THAILAND

The Convention has been in force for a year now.

The new Convention and the Protocol to it are now in force (23 December 1976).

A draft comprehensive Convention and a limited air transport one have been passed to the Saudis.

We are awaiting replies to correspondence about a Protocol which would incorporate a revised Dividend Article and matching credit provisions for tax given up by Sierra Leone under certain incentive legislation.

~~Arrangements for signature of the new Convention are being made.~~

The Agreement entered into force on 7 October 1977 and applies in the UK with effect from 1975.

We have initialled a revised comprehensive DTA. The Protocol to amend the Dividends Article which was initialled last March is being prepared for signature. There have been discussions about a Protocol to deal with the taxation of offshore oil-related activities.

The revised comprehensive Convention entered into force on 7 October and takes effect in the UK from 1978.

A second round of talks about a new comprehensive DTA to replace the existing Arrangements with Tanganyika and Zanzibar was held in May 1978. We left them to think about a new Agreement package but Tanzania submitted notice of termination of the present agreement in August 1978. It should not cease to be effective in Tanzania until 1 January 1980. We are trying to confirm this with them and obtain a considered response to our proposals.

A comprehensive Convention was initialled in October 1976 and arrangements are being made for signature.

NB: A recent change in Thailand's matching credit legislation will require a slight alteration in the Credit Article. We are corresponding with the Thais on this.



A first round of discussions took place in November 1976. A second round was held in the week beginning 31 October 1977. Substantial progress was made and it is hoped to hold a third round in the not too distant future.

We have proposed talks on a comprehensive Convention.

The Third Protocol has now been published. It will go first to the US Senate for approval, and then to the House of Commons. Convention are due to be held in October 1979.

A comprehensive Convention was initiated in March 1976, but it has not yet been signed. A UK team met Yugoslav officials in Belgrade in December to discuss various amendments which the Yugoslavs had proposed but the position concerning a few Articles remains open.

We aim to reach agreement on a Protocol including a Swiss type Dividend Article and a matching credit provision and hope to have affirmative response from the Zambians in the not too distant future.

#### LIMITED AGREEMENTS

The Department of Trade are including a suitable article on the taxation of shipping profits in a maritime agreement.

The Agreement covering Air Transport Profits only entered into force on 12 July 1978.

An Order in Council was made on 19 July 1977 and the Agreement has been in force for a year or so.

A limited Agreement (relating to shipping and air transport profits) has been approved by Parliament and an Order in Council has been made. It is not yet in force.

An Order in Council was made on 14 March and the Agreement will be entering into force shortly.

Discussions are in progress via the UK Embassy about a limited Agreement covering air transport profits. There is some difficulty in obtaining a consistent and speedy response from the Algerians.

We have been approached by Kuwait Airlines to conclude an air transport and shipping agreement and a draft has been submitted.

See under comprehensive Agreements.

Comprehensive and limited draft agreements have been proposed.

TUNISIA

TURKEY

USA

USSR Talks on a comprehensive  
YUGOSLAVIA

ZAMBIA

CHINA

ETHIOPIA

ZAIRE

VENEZUELA

JORDAN

ALGERIA

KUWAIT

LIBYA

SAUDI ARABIA



STATE OF PLAY ON COUNTRIES - AT 6 NOVEMBER 1979

Developments since the last meeting are denoted by asterisks.

\* ARGENTINA

We have approached the Argentines about the possibility of a comprehensive agreement and they are happy to start negotiations. We hope to have a first round ~~some time early next year.~~  
*in May 1980*

AUSTRALIA

Talks on revising the Dividends article were held in July 1977, and arrangements for initialling a Protocol are now in hand.

AUSTRIA

A Protocol amending the Dividends Article came into force on 30 December 1978.

\* BANGLADESH

A comprehensive DTA was signed on 8 August this year. It will be published as a draft Statutory Instrument when laid before Parliament ~~later this year shortly.~~

BELGIUM

A second round of talks was held in Brussels from 7-9 February but a few points remain outstanding in particular the Dividends Article.

BRAZIL

We have been unable to accept the terms offered by the Brazilians and with Ministerial approval we have now told them this.

CANADA

A revised comprehensive Convention has been approved by Parliament. Approval by the Canadian Parliament has been held up by the Canadian General Election on May 22. Discussions have started on a protocol to deal with offshore oil related activities.

\* CZECHOSLOVAKIA

Two rounds of talks have been held on a comprehensive DTC. A measure of agreement has been reached and it is hoped to ~~continue the negotiations later in 1979.~~  
*finalise an agreement in 1980.*

COLOMBIA

At talks in London in 1978 with the Department of Trade about an Air Services Agreement, the Colombian representatives enquired about the possibility of concluding a DTA. We told them we were keen to conclude an Agreement and a draft limited Agreement (covering air transport and shipping operations) was handed over. The Colombians undertook to pass this to colleagues in the Finance Ministry.



CYPRUS

A Protocol amending the 1975 Convention has been initialled and arrangements are being made for signature.

DENMARK

A revised comprehensive Convention was initialled in July 1978. Arrangements are being made for signature. There have been discussions about a Protocol to deal with the taxation of offshore oil-related activities.

\* EGYPT

An OECD type Convention was signed on 25 April 1977 and is expected to be laid as a draft SI before Parliament <sup>shortly</sup> later this year.

FINLAND

A Protocol revising the Dividends Article was initialled on 9 December 1977. Arrangements are being made for signature. There have been discussions about a protocol to deal with the taxation of offshore oil-related activities.

FRANCE

A Protocol dealing with the taxation of offshore oil-related activities has been initialled, but further discussion is needed before proceeding to signature.

THE GAMBIA

A revised comprehensive DTA has been approved by Ministers and arrangements are being made for signature.

FEDERAL REPUBLIC  
OF GERMANY

Talks will take place to discuss the implications of the US type agreement and of the new German Corporation Tax.

\* GREECE

Our proposals for talks on a revised comprehensive DTA have met with little enthusiasm from the Greeks, and we have now suggested that any discussions be postponed for the time being.

GUERNSEY JERSEY  
AND ISLE OF MAN

Exploratory talks about the possibility of revising the existing double taxation arrangements were held with Islands representatives on 25 July 1978 and 1 February 1979.

INDIA

A comprehensive Convention <sup>was</sup> were initialled in London on 30 May 1978. Some hopefully minor points are being cleared up by correspondence.

IRAN

One round of talks has taken place, but discussions cannot be resumed until the Iranians have completed their internal tax reforms. In any case, recent events have effectively ended these negotiations.



ISLE OF MAN:

ISRAEL

\* ITALY

\* IVORY COAST

\* JAPAN

JERSEY:

LIBYA

LUXEMBOURG

\* MALAWI

MALAYSIA

MAURITIUS

See Guernsey.

Israel has expressed interest in our offer to revise the Dividends Article to take account of our imputation system.

A revised comprehensive Convention was initialled in April 1977. However, the Italians have since introduced an Imputation System necessitating revision of the Dividends and other articles. These amendments were agreed during talks held in the week beginning 25 June.

There have been discussions about provisions to deal with the taxation of offshore oil-related activities. A first round of talks about a comprehensive DTC took place in Abidjan in February 1979. ~~It is hoped to hold further talks later this year.~~ ~~A second round will take place in November.~~ Talks are <sup>were</sup> to be held in October on a revision of the Double Taxation Convention <sup>protocol</sup> ~~revising the Dividends article which will also contain various tidying provisions.~~ Agreement was reached in principle. See Guernsey.

We have been asked by DOT on behalf of British Calendonian to negotiate an Agreement. A draft limited Agreement covering both shipping and air transport was sent to the Libyans although it now seems likely that only air transport profits may be covered.

A Protocol amending the Dividends Article was signed in London on 18 July 1978.

A Supplementary Agreement amending the Dividends and Teacher's Articles in the existing Agreement ~~has been approved by Parliament and an Order in Council made.~~ ~~It is not yet in force.~~ ~~It is now in force.~~

Several minor amendments to the text of the current DTA were provisionally agreed at talks held in 1975. Further talks were held in July 1977 and the Malaysians should be writing to us.

Talks about a full revision of the existing arrangement took place in London on January 1975 and a measure of agreement was reached. We hope we may be able to resume negotiations soon.



MEXICO

The Embassy in Mexico City has informed the Mexican Finance Ministry that we would like to commence negotiations about a comprehensive DTA. But Mexico has no comprehensive Agreements - she is fearful she will have to concede one to the USA if she starts with others - (and the Mexican Embassy has tactfully intimated that we cannot expect early progress).

A comprehensive DTA initialled on 23 July 1976. One or two minor matters are still being clarified.

MOROCCO



NETHERLANDS

*Following the 4th round of talks in The Hague early in October a revised Comprehensive DTA was initialled. [This has not yet been announced.]*

A Protocol amending the Dividends and Interest Articles was approved by Parliament on 19 July and entered into force on 14 October 1977. A Protocol to deal with the taxation of off-shore oil-related activities has been initialled. ~~Discussions have taken place with a view to revision of the existing comprehensive Convention. Amendment of the dividends article to prevent abuse is causing some difficulties and a further round of talks (the 4th) will take place in The Hague early in October.~~

A Protocol amending the Dividends Article was initialled in July 1978.

NEW ZEALAND

NIGERIA

Nigeria terminated our 1947 DTA last year. We met the Nigerians for talks about a new comprehensive convention in January, April and June 1979 but some matters are still causing difficulty, notably management/consultancy fees. The Nigerians are to put some of our proposals to their Government. If these are turned down we will seek to conclude a limited air/shipping agreement before next April. The Nigerians have assured us that they will continue the air/shipping exemption provided by our previous agreement in the meantime. On 3 July we explained the position fully during a special meeting with CBI representatives.



\*NORWAY

*were signed on  
16 October*

The Protocol revising the Dividends Article and some other Articles came ~~into~~ force on 22 June 1979. ~~Two~~ further Protocols deal with the taxation of transmedian oil fields (ie those fields which straddle the line dividing the Continental Shelf between the UK and Norway) ~~have been initialled, and will shortly be signed.~~ Talks took place in September with a view to revision of existing comprehensive Convention. A further round of talks will be held in January



PHILIPPINES

~~See separate briefing~~

~~REPUBLIC OF IRELAND~~

SAUDI ARABIA

SIERRA LEONE

SRI LANKA

SWEDEN

SWITZERLAND

TANZANIA

THAILAND

TUNISIA

The Convention has been in force for a year now.

~~The new Convention and the Protocol to it are now in force (23 December 1976).~~

A draft comprehensive Convention and a limited air transport one have been passed to the Saudis.

We are awaiting replies to correspondence about a Protocol which would incorporate a revised Dividend Article and matching credit provisions for tax given up by Sierra Leone under certain incentive legislation.

The new Convention was signed in London on 21 June and will be published in due course as a schedule to a draft Order in Council.

We have initialled a revised comprehensive DTA. The Protocol to amend the Dividends Article which was initialled last March is being prepared for signature. There have been discussions about a Protocol to deal with the taxation of offshore oil-related activities.

The revised comprehensive Convention entered into force on 7 October and takes effect in the UK from 1978.

A second round of talks about a new comprehensive DTA to replace the existing Arrangements with Tanganyika and Zanzibar was held in May 1978. We left them to think about a new Agreement package but Tanzania submitted notice of termination of the present agreement in August 1978. It should not cease to be effective in Tanzania until 1 January 1980. We are still trying to obtain a considered response to our proposals.

A comprehensive Convention was initialled in October 1976 and arrangements are being made for signature.

NB: A recent change in Thailand's matching credit legislation will require a slight alteration in the Credit Article. We are corresponding with the Thais on this.

A first round of discussions took place in November 1976. A second round was held in the week beginning 31 October 1977. Substantial progress was made and ~~it is hoped to hold a third round in the not too distant future.~~

*a third round is planned for next February.*



TURKEY



USA



USSR

YUGOSLAVIA

ZAMBIA

LIMITED AGREEMENTS

CHINA

• VENEZUELA

JORDAN

ALGERIA

KUWAIT

LIBYA

We have proposed talks on a comprehensive Convention.

The Third Protocol was approved by the US Senate on 9 July, and ~~will~~ <sup>are</sup> be considered by the House of Commons.

Talks on a comprehensive Convention ~~are due~~ <sup>were</sup> to be held in October 1979, and ~~are~~ <sup>are</sup> to be resumed in March 1980. A comprehensive Convention was initialled in March 1976, but it has not yet been signed. A UK team met Yugoslav officials in Belgrade in December to discuss various amendments which the Yugoslavs have proposed but the position concerning a few Articles remains open.

We aim to reach agreement on a Protocol including a Swiss type Dividend Article and a matching credit provision and hope to have affirmative response from the Zambians in the not too distant future.

The Department of Trade are including a suitable article on the taxation of shipping profits in a maritime agreement.

A limited Agreement (relating to shipping and air transport profits) has been approved by Parliament and an Order in Council has been made. It is not yet in force.

An Order in Council was made on 14 March and the Agreement will be entering into force shortly.

Discussions are in progress via the UK Embassy about a limited Agreement covering air transport profits. There is some difficulty in obtaining a consistent and speedy response from the Algerians.

We have been approached by Kuwait Airlines to conclude an air transport and shipping agreement and a draft has been submitted.

See under comprehensive Agreements.



STATE OF PLAY ON COUNTRIES - MARCH 1977

ARGENTINA	If we can agree with Brazil, we would approach Argentina.
AUSTRALIA	No recent progress to report on renegotiation.
AUSTRIA	Revision of the dividend article was discussed briefly with the Austrians at OECD WPI in December 1974, and subsequently, by correspondence. We are now close to agreement and hope that signature will take place before the end of 1977.
* BANGLADESH	Talks will take place next week about a comprehensive DTA.
* BELGIUM	We have now written suggesting a re-opening of talks this year.
BOTSWANA	Talks about a full revision of the agreement took place in London during the Autumn of 1974. We are still corresponding about the outstanding points, and hope to be in a position to make progress this year.
* BRAZIL	A further round of talks took place in <u>January</u> . We are considering the implications of their proposals, and a further round will be held later this year.
CANADA	A revised comprehensive DTC was initialled in November 1975 and will be published as a draft SI in due course.
CZECHOSLOVAKIA	A draft Convention has been sent to the Czechs but no date for talks has been arranged.
DENMARK	Extension of revised Dividend article to the Faroes is now in force. Talks about revising existing DTA are unlikely to take place for some time yet owing to the possible reform.
EGYPT	We have now initialled a Convention on OECD lines, and arrangements will be made for signature.
FIJI	A revised comprehensive agreement has been published as a Statutory Instrument (no 1342 of 1976).



THE GAMBIA

We have had further talks with the Gambians and we are considering the outstanding points.

GERMANY

Talks will take place to discuss the implications of the US agreement and of the new German corporation tax.

GHANA

We had talks with Ghana in September about the outstanding points and agreement was reached on all points of principle. One or two very minor matters remain to be settled by correspondence before initialling.

\* HUNGARY

A limited air transport agreement on United Kingdom/USSR lines is now in force. A comprehensive agreement was initialled in February.

\* INDIA

A second round of talks was held in Delhi during November. Further discussions will take place at the end of June.

INDONESIA

The new comprehensive agreement is now in force (SI 1975 No 2191).

IRAN

One round of talks has taken place, but discussions cannot be resumed until the Iranians have completed their internal tax reforms.

? Israel  
\* ITALY

Revision of the dividends article and other parts of the DTA was discussed last week. Pending revision, Italy have agreed that the present agreement extends to the new Italian taxes introduced in 1975. Several cases remain outstanding.

\* JAPAN

Talks about revision of dividends article has been postponed owing to Japanese corporation tax reforms.

\* KENYA

A Protocol amending the Agreement signed in 1973 was signed in January. The Agreement and Protocol will be published as a Draft SI in due course.

\* KOREA

A comprehensive agreement was initialled in Seoul last October, and arrangements will be made for signature as soon as minor amendments have been effected.



LUXEMBOURG

Negotiations on dividend article will not take place before the Netherlands Protocol is in force.

MALAYSIA

Several minor amendments to the ~~text~~ of the current DTA were agreed at talks held in London in the summer of 1975. We had expected to complete the discussions in Kuala Lumpur in the October but the Malaysians could not see us at that time. We shall be in touch with the Malaysians shortly about the open points.

MAURITIUS

Talks about a full revision of the existing arrangement took place in London in January 1975 and a measure of agreement was reached. The outstanding points are still being considered.

MEXICO

Nothing to report.

MOROCCO

A comprehensive DTA was initialled on 23 July and arrangements are being made for signature.

\*

NETHERLANDS

A Protocol amending the dividends and interest articles was initialled at talks held in London during February last year, and arrangements for signature are being made.

NEW ZEALAND

No recent progress to report.

\*

NORWAY

Agreement on ~~revision~~ of the dividends article and some other Articles has been reached and arrangements are being made for signature.

\*

PHILIPPINES

A comprehensive DTC has now been published as a draft SI.

\*

POLAND

A comprehensive DTA was signed in December. It will be published as a draft SI in due course.

\*

REPUBLIC OF IRELAND

The new Convention and the Protocol to it are now in force (23 December 1976).

\*

ROMANIA

The DTC is now in force (SI 1977 No 57).

*Saudi Arabia*  
SIERRA LEONE

Agreement on revised dividends article reached in principle.

SINGAPORE

The text of an amending Protocol was signed on 21 July 1975 and has been published by the FCO.

\*

SPAIN

The DTC is now in force (SI 1976 No 1919).



SRI LANKA

The text of a new comprehensive DTA has been initialled and arrangements for signature will be made.

SUDAN

The agreement has been approved by the House and is awaiting exchanges of instruments of ratification.

\* SWITZERLAND

Talks about a comprehensive revision were held in November and a second round will be held in May.

\* TANZANIA

Talks about a comprehensive DTC took place in Dar-es-Salaam in February. Further talks may be held later this year.

\* THAILAND

A comprehensive DTC was initialled on 15 October. Arrangements will be made for signature.

\* TUNISIA

A first round of discussions took place in Tunis in November. A second round will be held in May.

\* USA

The new comprehensive DTC and Protocol have been approved by Parliament.

Yugoslavia

A comprehensive DTC was initialled in March 1976 and arrangements will be made for signature.

ZAMBIA

We hope to reach agreement shortly on a Protocol including a Swiss type dividend article and a matching credit provision.

#### LIMITED AGREEMENTS

*Algeria*  
CHINA

The Department of Trade are including a suitable article on the taxation of shipping profits in a maritime agreement.

ETHIOPIA

An air transport agreement will be made shortly.

*Ivory Coast*  
SAUDIA ARABIA

We are in correspondence with the Saudis about a draft air transport profits agreement and are considering the possibility of a comprehensive agreement.

ZAIRE

A shipping and air transport agreement has been signed and will be published as a draft SI in due course.

VENEZUELA

We have recently sent a draft of a limited agreement covering shipping and air transport.





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POLICY DIVISION  
Somerset House  
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Telephone Enquiries 01-453 6575

D S Keeling Esq  
South American Department  
Foreign and Commonwealth Office  
LONDON  
SW1

Your reference

Our reference  
T1169/102/75

Date

*Mr. Cook*

*Pl. see undetaching given in this letter. 28/7/77.*

*Mr. Denton*

*to note to be brought all out 1/2 by meeting, copy of letter given to Mr. Cook for inclusion in future brief. 28/7*

UNITED KINGDOM/ ARGENTINA DOUBLE TAXATION AGREEMENT

Thank you for your letter of 22 July enclosing the Embassy's response to our proposal to start talks about a comprehensive double taxation agreement with Argentina.

Anglin's view that the Argentines are unlikely to be very interested in such an agreement is perhaps what we expected, and is certainly in line with our - and that of other European countries too no doubt - past experience in trying to get talks going. But I am a little puzzled by the view that United Kingdom firms in Argentina would feel that an agreement was not to their advantage; it seems to go rather against the conclusion of the memorandum prepared in 1975 by Price Waterhouse and, although one cannot of course predict in advance the likely terms of an agreement, one can scarcely envisage it being more, or even as, burdensome as exposure to the normal internal Argentine tax law. A propos I note that there has recently been some substantial modifications in Argentine tax law affecting non-residents. I enclose a copy of a cutting giving details, and this itself might be a sign that Argentines wish to encourage foreign investment. May have led to some softening of attitude concerning double taxation talks.

It is however true that we have not made specific approaches to the United Kingdom headquarters of major British firms already in or likely to invest in Argentina. Their general approach in such matters is to favour the conclusion by the United Kingdom of comprehensive agreements since, as I mentioned above, these generally involve an alleviation in the tax burden imposed under the other states internal law. But now that Anglin has raised doubts as to whether an agreement with Argentina might be worthwhile it is certainly something we shall bring up at the next of the quarterly meetings which we have with representative bodies such as the CBI, British Insurance Association, General Council of British Shipping etc.

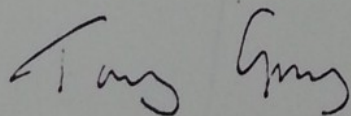


As far as the limited option, that of going for a simple extension to the existing limited agreement to cover municipal taxes, on the lines of the agreement Brazil has concluded with Argentina, there may be something of a difficulty. Our existing agreement provides reciprocal exemption for shipping and air enterprises from "income tax and all other taxes on profits which are chargeable in the Argentina republic" (and vice versa). We are not really empowered to cover other taxes, such as turnover taxes, and the Buenos Aires municipal tax on gross freights would seem to come within this category. It may be that within the context of a comprehensive agreement, which deals with many other things in addition to the taxation of shipping and air enterprises, it may be possible to find a way around this issue, but it is much more doubtful whether we can suitably extend a limited agreement by binding ourselves to exempt Argentinian enterprises from gross freights and any other turnover type taxes that may be imposed in the United Kingdom, in return for a similar assurance by Argentina.

This is obviously something we will have to examine further together with the General Council of British Shipping who, I understand, are well aware of this particular difficulty. We will also sound out United Kingdom representative bodies about their attitude to a comprehensive agreement with Argentina and if there is anything more which Anglin can let us know about the likely Argentine attitude, or indeed why he thinks British firms might not welcome an agreement, I will be glad to hear from

I am copying this letter to Richard Ewbank, Bank of England, Brian Fox, Treasury, John Lamont, Department of Trade, and Wally Henry, Department of Trade (Shipping).

Yours sincerely



A C GRAY



2. STATE OF PLAY ON COUNTRIES - JUNE 1977

\* ARGENTINA

Following representations from the GCBS we have contacted FCO about the possibility of starting talks on a comprehensive DTA with Argentina.

\* AUSTRALIA

We will be seeing the Australians in June on renegotiation of the Dividends Article.

AUSTRIA

We hope that signature of the Protocol amending the Dividends Article will take place shortly.

\* BANGLADESH

The first round of talks on a comprehensive Convention was held in March. A second round is scheduled for July.

\* BELGIUM

A first round of talks was held in May.

\* BOTSWANA

Talks about a full revision of the Agreement took place in London in 1974. A further round was held in May. The Botswana side are consulting Ministers on certain matters and will be writing to us later in the year.

BRAZIL

A round of talks took place in January. We have written to the Brazilians about outstanding points and we hope to hold a further round of talks later this year.

CANADA

A revised comprehensive Convention was initialled in November 1975. A draft SI will be published in due course.

CZECHOSLOVAKIA

A draft Convention has been sent to the Czechs but no date for talks has been arranged.

COLUMBIA

We have approached the FCO about starting talks on a comprehensive DTA.

\* DENMARK

Extension of the revised Dividends Article to the Faroes is now in force. Talks about revising the existing Convention will be held in June.

\* EGYPT

An OECD type Convention was signed on 25 April.

FIJI

A revised comprehensive Agreement (SI 1976 No 1342) is in force.

THE GAMBIA

We have received a reply from the Gambians on the outstanding points. There are still one or two issues on which we may have to go back to them.



FEDERAL REPUBLIC OF  
GERMANY

Talks will take place to discuss the  
implication of the US type agreement  
and of the new German Corporation Tax.

\* GHANA

A comprehensive Agreement was  
initialled in April and signature is  
being arranged for later this summer.

HUNGARY

A comprehensive Convention was  
initialled in February.

INDIA

A second round of talks was held  
during November. It is hoped to hold  
further discussions later this year.

INDONESIA

The new comprehensive Convention is  
in force (SI 1975 No 2191).

\* IRAN

One round of talks has taken place,  
but discussions cannot be resumed  
until the Iranians have completed  
their internal tax reforms. We have  
recently asked the Foreign Office to  
ascertain whether these reforms have  
yet been completed.

\* ITALY

A revised comprehensive Convention  
was initialled in April.

JAPAN

Talks on the revision of the Dividends  
Article have been postponed until  
circa 1978 because of Japanese tax  
reforms.

\* KENYA

The Agreement and Protocol, already  
published in the FCO Treaty series,  
will be laid before Parliament  
shortly.

\* KOREA

A comprehensive Convention was signed  
on 21 April.

\* LIBYA

We have been asked by DoT on behalf  
of British Caledonian to negotiate  
an agreement. We have approached the  
FCO for a limited agreement.

\* LUXEMBOURG

A Protocol was initialled on 31 May.

\* MALAYSIA

Several minor amendments to the text  
of the current DTA were provisionally  
agreed at talks held in 1975. We had  
further talks with the Malaysians  
recently and will be seeing them  
again later this year.



MAURITIUS

Talks about a full revision of the existing arrangement took place in London in January 1975 and a measure of agreement was reached. The outstanding points are still being considered.

\* MEXICO

We have approached FCO about the possibility of negotiations on a comprehensive DTA.

MOROCCO

A comprehensive DTA was initialled on 23 July 1976 and arrangements are being made for signature.

\* NETHERLANDS

A Protocol amending the Dividends and Interest Articles has now been signed. It will be laid before Parliament shortly.

NEW ZEALAND

No recent progress to report.

NORWAY

Agreement on revision of the Dividends Article and some other Articles has been reached and arrangements are being made for signature.

\* PHILIPPINES

A comprehensive DTC has been through Parliament and is awaiting ratification by the Philippines.

POLAND

A comprehensive DTA was signed in December 1976. It will be laid before Parliament shortly.

REPUBLIC OF IRELAND

The new Convention and the Protocol to it are now in force (23 December 1976).

ROMANIA

The DTC is now in force (SI 1977 No 57).

\* SAUDI ARABIA

A draft comprehensive Convention has been passed to the Saudis.

SIERRA LEONE

Agreement on a revised Dividend Article has been reached in principle.

\* SINGAPORE

The text of an amending Protocol was signed on 21 July 1975 and has been published by the FCO. An amendment to the Protocol has subsequently proved necessary. This is being effected by an Exchange of Notes.

SPAIN

The DTC is now in force (SI 1976 No 1919).

SRI LANKA

The text of a new comprehensive DTA has been initialled and arrangements for signature are being made.



SUDAN

The agreement has been approved by the House and is awaiting exchanges of instruments of ratification.

\* SWITZERLAND

A Protocol amending the Dividends Article was initialled at talks held in March but we will not be proceeding with signature as it has been incorporated in a revised <sup>comprehensive</sup> convention which was initialled in May.

TANZANIA

Talks about a comprehensive Convention were held in February and a second round is due to be held later this year.

THAILAND

A comprehensive Convention was initialled in October 1976. Arrangements are being made for signature.

TUNISIA

A first round of discussions took place in November 1976. We are trying to arrange a second round.

\* USA

The new comprehensive Convention and the first Protocol have been approved by Parliament and the second Protocol has been signed. The US Senate has not yet approved the Convention or the Protocols.

YUGOSLAVIA

A comprehensive Convention was initialled in March 1976, but it has not yet been signed.

ZAMBIA

We hope to reach agreement shortly on a Protocol including a Swiss type Dividend Article and a matching credit provision.

#### LIMITED AGREEMENTS

CHINA

The Department of Trade are including a suitable article on the taxation of shipping profits in a maritime agreement.

\* ETHIOPIA

An air transport agreement was effected by an Exchange of Notes in February. The Agreement will be laid before Parliament shortly.

ZAIRE

A shipping and air transport agreement with Zaire has been signed. It will be laid before Parliament shortly.

VENEZUELA

We have submitted a draft air transport and shipping agreement.

\* JORDAN

We have submitted a draft air transport and shipping agreement.

\* ALGERIA

Discussions are in progress about a limited agreement covering air transport profits.



Box No 272 Aldermanbury House Aldermanbury London EC2P 2EL  
Telephone 01-606 6699

Richard Thomas Esq  
Financial Relations Department  
Foreign & Commonwealth Office  
London  
SW1A 2AH

Your reference

MF 123/1

Our reference

IL 123

Date

22 September 1977

*Confidential*

WHITEHALL/JOINT ASSOCIATIONS/CBI CONSULTATIVE COMMITTEE

Thank you very much indeed for picking up the unfortunate omission of ECGD from the list of recipients of Michael Butler's letter dated 12th September 1977 to Sidney Abramson (DoT) on the question of reviving the activities of the above-mentioned Committee. I hope that the views of ECGD, as a regular participant in the Committee, will not arrive too late.

Generally, our view is somewhat akin to that of the Department of Trade. We, too, have our own bilateral meetings with the CBI on investment insurance which provide us with an insight of the needs of British industry, and an opportunity to try out our ideas about technical improvements to, and publicity for, the Investment Insurance Scheme. As you, I know, will understand, the discussions frequently become technical and therefore more suitable for the concentrated and expert forum of the bilateral, rather than the wide ranging consultative group. We should not wish to end our bilaterals with CBI, nor to duplicate them elsewhere, if this can be avoided.

If, however, it is decided that the Committee should be resuscitated we should, of course, wish to be represented at its meetings and hope that its Agenda can be restricted to matters, as DoT suggest, for which no adequate consultative machinery exists. I should have thought that one (or two at the most) meeting per year would be quite enough for the Committee's purpose on the above basis.

A Dawson

cc M D Butler Esq  
S Abramson Esq  
J Stephenson Esq  
D J Kirkness Esq  
M Widdys Esq  
R Clifford Esq  
✓ B Pollard Esq

FCO  
DoT  
DoI  
ODM  
HM Treasury  
Bank of England  
Inland Revenue



MEETING WITH REPRESENTATIVES OF THE CONFEDERATION  
OF BRITISH INDUSTRY AT 11.00 AM ON 28 NOVEMBER 1977

1. MATTERS WHICH THE CBI MAY RAISE

The CBI have not suggested any specific subjects for discussion but the following are all possibilities:

Treaties with less developed countries

During the last meeting (minutes flagged "A") the CBI expressed concern about the rates and basis of assessment respectively of Capital Gains Taxes charged in Nigeria and Ghana, and asked whether there was any possibility of including a C.G. article in our treaties with those countries.

We told them that we had revision of the Ghana agreement in hand (although not Nigeria), and Mr Collins subsequently confirmed in writing that the initialled agreement with Ghana did include a C.G. article broadly on the lines of our normal model confining the right to tax such gains ordinarily to the country of residence of the disponent but - as in our agreement with Zambia - allowing the other country to tax capital gains made by a person who was resident in that country up to five years previously.

We can now tell the CBI that we expect the Ghana agreement to be signed tomorrow: (29 November). But we do not at the moment have any plans to approach Nigeria.

Alimony

At the last meeting the CBI said that they considered that D.T. agreements should provide for the allowance of alimony payments for tax purposes, in the country of residence of the payer.

We pointed out that the problem of a divorced man posted to a country which did not give tax relief for payments which he made to a former wife in the United Kingdom was one of economic double taxation, not legal double taxation. But we would look into this if they would write in with evidence, and some indication of how important a problem this was.

They have <sup>not</sup> done so.

Private Contracts

Botswana

During the last meeting Mr Davies raised the question of credit in the United Kingdom for foreign taxes paid under "Private" contracts between United Kingdom companies and governments of less developed countries.



3. STATE OF PLAY ON COUNTRIES

There have been several developments since our last report to the CBI. These are indicated by asterisks.

\* ARGENTINA

The FCO have been asked to approach the Argentinians about commencing talks about a comprehensive DTA. The Embassy in Buenos Aires have replied that Argentina is unlikely to be interested; the Canadians were told this recently. Although things do not seem very auspicious we would like the CBI to sound out its members about the possibility of an agreement.

\* AUSTRALIA

We saw the Australians in June on renegotiation of the Dividends Article. A few details remain to be resolved through correspondence.

\* AUSTRIA

Signature of the Protocol amending the Dividends Article took place on 17 November 1977.

\* BANGLADESH

A second round of talks was held in London in July at the end of which the text of a comprehensive DTA was initialled. Arrangements are at present being made for signature.

BELGIUM

A first round of talks was held in May. A second round will probably take place early in the New Year.

\* BOTSWANA

The text of a revised DTA to replace the existing Agreement which was signed in London on Wednesday 5 October, will be laid before Parliament very shortly.

\* BRAZIL

Brazil has replied about some of the points which remained outstanding following the talks held in London in January but others are still the subject of correspondence. It is hoped that a further round of talks will be held early next year.

\* CANADA

Arrangements are now being made for signature of the revised comprehensive Convention.

\* CZECHOSLOVAKIA

A first round of talks was held in October on a comprehensive DTC. A wide measure of agreement was reached and it is hoped to initial next June.



COLOMBIA

\* DENMARK

EGYPT

FIJI

\* FINLAND

\* THE GAMBIA

FEDERAL REPUBLIC  
OF GERMANY

\* GHANA

\* GREECE

\* HUNGARY

\* INDIA

IRAN

\* ISRAEL

We have approached the FCO about starting talks on a comprehensive DTA.

A second round of talks was held in London during the week commencing 21 November but a few points remain outstanding, in particular the Dividends Article.

An OECD type Convention was signed on 25 April.

A revised comprehensive Agreement (SI 1976 No 1342) is in force.

Talks on a revised Dividends Article to take place in December.

Since receiving a reply from the Gambians on the outstanding points we have written (September 1977) with counter proposals. It is hoped a revised DTA will be initialled soon.

Talks will take place to discuss the implications of the US type agreement and of the new German Corporation Tax.

Signature of the revised Agreement is scheduled to take place on Tuesday 29 November.

We have proposed talks on a revised comprehensive DTC.

A comprehensive Convention was initialled in February. Arrangements are being made for signature on 28 November.

Talks scheduled for August had to be postponed (by us) and we are awaiting alternative dates from India. It is hoped that these will be held early next year.

One round of talks has taken place, but discussions cannot be resumed until the Iranians have completed their internal tax reforms. We are trying to ascertain whether these reforms have yet been completed.

Israel has expressed interest in our offer to revise the Dividend Article to take account of our imputation system.



ITALY

A revised comprehensive Convention was initialled in April

JAPAN

Talks on the revision of the Dividends Article have been postponed until circa 1978 because of Japanese tax reforms.

\*

KENYA

The Agreement and Protocol entered into force on 30 September 1977 and apply in the United Kingdom with effect from April 1976.

KOREA

A comprehensive Convention was signed on 21 April and will be laid before Parliament very shortly.

LIBYA

We have been asked by DoT on behalf of British Caledonian to negotiate an agreement. We have approached the FCO for a limited agreement. The FCO have been in touch with Lybia and we are awaiting Lybia's response.

LUXEMBOURG

A Protocol was initialled on 31 May.

\*

MALAYSIA

Several minor amendments to the text of the current DTA were provisionally agreed at talks held in 1975. Further talks were held recently and the Malaysians should be writing to us.

\*

MAURITIUS

*^ we hope we may be able to resume negotiations early in the New Year.*

Talks about a full revision of the existing arrangement took place in London in January 1975 and a measure of agreement was reached. ~~The outstanding points are still being considered.~~

MEXICO

The Embassy in Mexico City has informed the Mexican Finance Ministry that we would like to commence negotiations about a comprehensive DTA. We are awaiting Mexico's response.

MOROCCO

A comprehensive DTA was initialled on 23 July 1976 and arrangements are being made for signature.

NETHERLANDS

A Protocol amending the Dividends and Interest Articles was approved by Parliament on 19 July and entered into force on 22 September.

NEW ZEALAND

We wrote to New Zealand in August about renegotiating the Dividends Article. No progress yet.



\* NORWAY

Agreement on revision of the Dividends Article and some other Articles has been reached and an amending Protocol was signed on 23 June. An Exchange of Notes clarifying the text was initialled on 18 October. Talks were held in September on a Protocol in connection with the taxation of income from North Sea activities. These will be continued later this year.

PHILIPPINES

A comprehensive DTC has been through Parliament and is awaiting ratification by the Philippines. Instruments of ratification were sent to Philippines earlier this month.

\* POLAND

A comprehensive DTA was approved by Parliament in June 1977. Arrangements are being made for ratification.

REPUBLIC OF IRELAND

The new Convention and the Protocol to it are now in force (23 December 1976).

ROMANIA

The DTC is in force (SI 1977 No 57).

\* SAUDI ARABIA

A draft comprehensive Convention has been passed to the Saudis.

SIERRA LEONE

Agreement on a revised Dividend Article has been reached in principle.

SINGAPORE

The text of an amending Protocol was signed on 21 July 1975 and has been published by the FCO. An amendment to the Protocol has subsequently proved necessary. This is being effected by an Exchange of Notes.

SPAIN

The DTC is in force (SI 1976 No 1919).

SRI LANKA

The text of a new comprehensive DTA has been initialled and arrangements for signature are being made.

\* SUDAN

The Agreement entered into force on 7 October 1977 and applies in the United Kingdom with effect from 1975.

SWITZERLAND

A Protocol amending the Dividends Article was initialled at talks held in March but we will not be proceeding with signature as it has been incorporated in a revised comprehensive Convention which was initialled in May. Arrangements are being made for signature shortly.



TANZANIA

Talks about a comprehensive Convention were held in February. Tanzania promised to write about the outstanding issues but so far we have heard nothing.

\* THAILAND

A comprehensive Convention was initialled in October 1976 and arrangements will be made for signature in due course.

NB: A recent change in Thailand's matching credit legislation will require a slight alteration in the Credit Article. We are contacting the Thais on this.

\* TUNISIA

A first round of discussions took place in November 1976. A second round was held in the week beginning 31 October. Substantial progress was made and it is hoped to hold a third round in 1978.

\* / USA

The new comprehensive Convention and both Protocols have now been approved by Parliament. The US Senate Foreign Relations Committee has deferred making a decision sine die.

YUGOSLAVIA

A comprehensive Convention was initialled in March 1976, but it has not yet been signed. The Yugoslavs have proposed various amendments which we hope to resolve in a few months.

ZAMBIA

We hope to reach agreement on a Protocol including a Swiss type Dividend Article and a matching credit provision.

#### LIMITED AGREEMENTS

CHINA

The Department of Trade are including a suitable article on the taxation of shipping profits in a maritime agreement.

ETHIOPIA

An Order in Council was made on 19 July. The Agreement will enter into force when we hear that Ethiopia's legislative processes have been completed.

ZAIRE

An Order in Council was made on 19 July. The Agreement will enter into force when we hear that Zaire's legislative processes have been completed.



VENEZUELA

At recent talks with Venezuela we concluded an air transport and shipping agreement. Once minor drafting and translation processes are finished, arrangements will be made for signature.

JORDAN

We have submitted a draft air transport and shipping agreement which has been agreed in principle by the Jordanians.

ALGERIA

Discussions are in progress about a limited agreement covering air transport profits.



2. STATE OF PLAY ON COUNTRIES - MARCH 1978

There have been several developments since our last report to the C.B.I. These are indicated by asterisks.

ARGENTINA - Please see text

AUSTRALIA

We saw the Australians in June 1977 on renegotiation of the Dividends Article. A few details remain to be resolved through correspondence.

\* AUSTRIA

The text of the Protocol amending the Dividends Article which was signed on 17 November 1977 will be published shortly, *last before Parliament in March.*

BANGLADESH

A second round of talks was held in London in July at the end of which the text of a comprehensive DTA was initialled. Arrangements are at present being made for signature.

\* BELGIUM

A second round of talks was held in Brussels from 7-9 February but a few points remain outstanding in particular the Dividends Article.

\* BOTSWANA

The text of a new Agreement to replace the existing Arrangement was approved by the House of Commons and the Privy Council on 25 January and 9 February respectively. The Agreement, which applies in the UK from April 1976, is not yet in force as we are awaiting confirmation that the legislative processes have been completed in Botswana.

BRAZIL

Brazil has replied about some of the points which remained outstanding following the talks held in London in January 1977 but others are still the subject of correspondence. A further round of talks may be held later this year.

CANADA

Arrangements are now being made for signature of the revised comprehensive Convention. ~~(but see text)~~.

CZECHOSLOVAKIA

A first round of talks was held in October 1977 on a comprehensive DTC. A wide measure of agreement was reached and it is hoped to initial next June.

COLOMBIA

We have approached the FCO about starting talks on a comprehensive DTA.



DENMARK

A second round of talks was held in London during the week commencing 21 November but a few points remain outstanding, in particular the Dividends Article.

EGYPT

An OECD type Convention was signed on 25 April 1977.

\* FINLAND

A Protocol revising the Dividends Article was initialled on 9 December. Arrangements are being made for signature.

THE GAMBIA

Since receiving a reply from the Gambians on the outstanding points we have written (September 1977) with counter proposals. It is hoped a revised DTA will be initialled soon.

FEDERAL REPUBLIC OF GERMANY

Talks will take place to discuss the implications of the US type agreement and of the new German Corporation Tax.

\* GHANA

*published shortly*  
The text of a revised Agreement to replace the existing Arrangement which was signed on 29 November 1977 will be published shortly ~~and will be laid before Parliament on 9 March.~~

GREECE

We have proposed talks on a revised comprehensive DTC.

\* HUNGARY

*the text will be published shortly*  
A comprehensive Convention was signed on 28 November 1977. ~~The text will be published shortly. and will be laid before Parliament on 9 March.~~

\* INDIA

A further round of talks is to be held in London in May 1978.

IRAN

One round of talks has taken place, but discussions cannot be resumed until the Iranians have completed their internal tax reforms. We are trying to ascertain whether these reforms have yet been completed.

ISRAEL

Israel has expressed interest in our offer to revise the Dividend Article to take account of our imputation system.

ITALY

A revised comprehensive Convention was initialled in April.

IVORY COAST

A draft Comprehensive Convention has been passed to the FCO.



JAPAN

Talks on the revision of the Dividends Article have been postponed until circa 1978 because of Japanese tax reforms.

KENYA

The Agreement and Protocol entered into force on 30 September 1977 and apply in the United Kingdom with effect from April 1976.

KOREA

The text of a comprehensive Convention which was signed on 21 April 1977 was published as a draft SI on 10 January and agreed by the House of Commons on 25 January 1978.

LIBYA

We have been asked by DoT on behalf of British Caledonian to negotiate an agreement. We have approached the FCO for a limited agreement. The FCO have been in touch with Libya and we are awaiting Libya's response.

LUXEMBOURG

A Protocol was initialled on 31 May 1977.

MALAYSIA

Several minor amendments to the text of the current DTA were provisionally agreed at talks held in 1975. Further talks were held in July 1977 and the Malaysians should be writing to us.

MAURITIUS

Talks about a full revision of the existing arrangement took place in London in January 1975 and a measure of agreement was reached. We hope we may be able to resume negotiations soon.

MEXICO

The Embassy in Mexico City has informed the Mexican Finance Ministry that we would like to commence negotiations about a comprehensive DTA. We are awaiting Mexico's response.

MOROCCO

A comprehensive DTA was initialled on 23 July 1976. One or two minor matters are still being clarified.

NETHERLANDS

A Protocol amending the Dividends and Interest Articles was approved by Parliament on 19 July and entered into force on 14 October 1977.

NEW ZEALAND

We wrote to New Zealand in August 1977 about renegotiating the Dividends Article. They have said they will be writing to us about talks in due course.



*\** NORWAY

Agreement on revision of the Dividends Article and some other Articles has been reached and an amending Protocol was signed on 23 June. Arrangements are being made for the signature of an Exchange of Notes clarifying the text which was initialled on 18 October and a Protocol in connection with the taxation of income from North Sea activities.

*\** PHILIPPINES

A comprehensive DTC went through Parliament in 1976. Instruments of ratification were exchanged in the Philippines in December 1977 and an Order in Council was made on 9 February. The Convention entered into force on 23 January 1978 and applies in the UK from April 1977.

*\** POLAND

A comprehensive DTA was approved by Parliament in June 1977. It was ratified on 26 January and entered into force on 25 February 1978.

REPUBLIC OF IRELAND

The new Convention and the Protocol to it are now in force (23 December 1976).

SAUDI ARABIA

A draft comprehensive Convention has been passed to the Saudis.

SIERRA LEONE

We are currently corresponding about a Protocol which would incorporate a revised Dividend Article and matching credit provisions for tax given up by Sierre Leone under certain incentive legislation.

*\** SINGAPORE

The text of an amending Protocol was signed on 21 July 1975 and has been published by the FCO. Arrangements ~~are~~ *are being* made for laying before Parliament.

SRI LANKA

The text of a new comprehensive DTA has been initialled and arrangements for signature are being made.

SUDAN

The Agreement entered into force on 7 October 1977 and applies in the United Kingdom with effect ~~from~~ 1975.

SWEDEN

Arrangements are being made for talks on the revision of the Dividends Article.

SWITZERLAND

A revised comprehensive Convention was signed on 8 December 1977 and will be laid before Parliament on 9 March.



TANZANIA

Talks about a comprehensive Convention were held in February 1977. Tanzania promised to write about the outstanding issues but so far we have heard nothing.

THAILAND

A comprehensive Convention was initialled in October 1976 and arrangements are being made for signature.

NB: A recent change in Thailand's matching credit legislation will require a slight alteration in the Credit Article. We have written to the Thais on this and are awaiting a reply.

TUNISIA

A first round of discussions took place in November 1976. A second round was held in the week beginning 31 October. Substantial progress was made and it is hoped to hold a third round later this year.

\* TURKEY

We have proposed talks on a comprehensive Convention.

USA

The new comprehensive Convention and both Protocols have now been approved by Parliament. The US Senate Foreign Relations Committee have yet to give their verdict.

YUGOSLAVIA

A comprehensive Convention was initialled in March 1976, but it has not yet been signed. The Yugoslavs have proposed various amendments which we hope to resolve in a few months.

ZAMBIA

We hope to reach agreement on a Protocol including a Swiss type Dividend Article and a matching credit provision, but have had little response for some time from the Zambians.

#### LIMITED AGREEMENTS

CHINA

The Department of Trade are including a suitable article on the taxation of shipping profits in a maritime agreement.

ETHIOPIA

An Order in Council was made on 19 July 1977. The Agreement will enter into force when we hear that Ethiopia's legislative processes have been completed.



ZAIRE

*has now entered  
into force.*

VENEZUELA

An Order in Council was made on 19 July 1977 and  
The Agreement ~~will enter into force~~  
~~when we hear that Zaire's legislative~~  
~~processes have been completed.~~

At recent talks with Venezuela we concluded  
an air transport and shipping agreement.  
Once minor drafting and translation  
processes are finished, arrangements will  
be made for signature.

JORDAN

We have submitted a draft air transport  
and shipping agreement which has been  
agreed in principle by the Jordanians.

ALGERIA

Discussions are in progress about a  
limited agreement covering air transport  
profits.